

**State of New Mexico
Action Plan Substantial Amendment**



**For the U.S. Department of Housing and
Urban Development Neighborhood
Stabilization Program**

<p>Jurisdiction(s): State of New Mexico -</p> <p>Jurisdiction Web Address: http://cdbg.ndfa.state.nm.us <i>(URL where NSP Substantial Amendment materials are posted)</i></p>	<p><i>State of New Mexico</i> NSP Contact Person: Dolores Gonzales Address: Bataan Memorial Bldg. Room 202, Santa Fe, NM 87501 Telephone: 505-827-4972 Fax: 505-827-4948 Email: Dolores.Gonzales2@state.nm.us</p>
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EXECUTIVE SUMMARY

This document is a proposed substantial amendment to the New Mexico State Consolidated Plan for 2006 to 2010 and the subsequent Action Plan for Program Year 2009. The amendments include the expected distribution and use of New Mexico’s allocation of the U.S. Department of Housing and Urban Development’s (HUD) recently announced Neighborhood Stabilization Program (NSP) provided through HUD’s Community Development Block Grant (CDBG) Program as authorized by the U.S. Housing and Economic Recovery Act of 2008 (HERA). HUD established NSP to provide emergency assistance to state and local governments to assist in the redevelopment of foreclosed and abandoned properties that might otherwise become sources of abandonment and blight within their communities and to respond to declining home values.

The following represents the State of New Mexico’s Substantial Amendment to the 2009 One-Year Action Plan for allocating the State’s Neighborhood Stabilization Program funding. The State of New Mexico received the minimum Neighborhood Stabilization Funding, or \$19,600,000. The five CDBG entitlement cities, Albuquerque, Santa Fe, Las Cruces, Rio Rancho and Farmington, received no direct NSP funding. Department of Finance and Administration (DFA), Local Government Division (LGD) will administer NSP funds and will work in cooperation with City of Albuquerque, City of Santa Fe, City of Las Cruces, and New Mexico Mortgage Finance Authority in order to effectively distribute the NSP funds to the areas of greatest need in New Mexico. DFA/LGD requested all the entitlement cities and MFA to submit a narrative describing the eligible NSP uses and their intent for implementation. Those entitlement cities that expressed a need for NSP funds, City of Albuquerque, City of Santa Fe, City of Las Cruces and Mortgage Finance Authority (MFA), were given a deadline of November 14, 2008 to submit a proposal that required NSP information by activity and certifications.

Waiver Request

The State of New Mexico requests waivers for the following items:

- The requirement that rental program income (operational income over and above expenses) must be returned to HUD and, instead, allow rental program income to remain within the individual project to insure long term financial feasibility and viability. To that end, the State of New Mexico will place limits on rent increases and direct net operating income towards reserve accounts; and
- The requirement that program income from the sale of NSP assisted properties must be returned to HUD after July 20, 2013. The State of New Mexico requests that HUD allow this program income to be returned to the State of New Mexico balance-of-state NSP program to continue funding NSP activities.

A. AREAS OF GREATEST NEED

The HERA statute (2301 (C) (2)) directs state and local governments to invest these funds as a matter of priority in "areas of greatest need," which are defined by three major determinants:

- The greatest percentage of home foreclosures (See exhibit A)
- The highest percentage of homes financed by a subprime mortgage related loan (See exhibit B and B.1)
- Identified as likely to face a significant rise in the rate of home foreclosures (See exhibit C)

HUD developed the Risk Scores to assist grantees in targeting the areas of greatest need within their jurisdictions, measuring the estimated foreclosure and abandonment risk of every census tract block group in the State. This score is scaled from 0 to 10, with 10 being the highest or greatest risk.

HUD calculated the Risk Score using the following sources:

- Office of Federal Housing Enterprise Oversight ("OFHEO") data on decline in home values as of June 2008 compared to peak home value since 2000 at the Metropolitan/Micropolitan/Non-Metropolitan level.
- Federal Reserve Home Mortgage Disclosure Act ("HMDA") data on percent of all loans made between 2004 and 2006 that are high cost at the Census Tract Level.
- Labor Department data on unemployment rates in places and counties as of June 2008.
- United States Postal Service ("USPS") data on residential addresses identified as being vacant for 90 days or longer as of June 2008 at the Census Tract level.

State of New Mexico's initial proposed amendment under area of greatest need:

HUD has an average abandonment risk of 4.10 and estimates 10,573 homes will be foreclosed in New Mexico. According to Realtytrac.com New Mexico ranks 37 in the US with properties that have foreclosure filing. According to The Wall Street Journal in 2006 New Mexico had 22,782 high interest rate loans which make's up 26.2% of all Mortgages in the State.

HUD's estimated foreclosure percentage for the City of Albuquerque is 35% of homes that will be foreclosed in New Mexico. According to City-Data.Com the estimated median household income for Albuquerque in 2007 was \$43,677, the estimated median house value was \$184,700 of which 15.8% of residents lived in poverty. According to HUD's foreclosure and abandonment risk score Albuquerque has an average abandonment risk of 4.33, which is higher than the state average.

HUD's estimated foreclosure percentage for the City of Santa Fe is 2% of homes that will be foreclosed in New Mexico. According to Realtytrac.com the City of Santa Fe has the third highest number of homes in pre-foreclosure. The City of Santa Fe believes Santa Fe is seeing a delayed hit in foreclosures and the amount of foreclosures will become more intense over the next year. According to City-Data.Com the estimated median household income in 2007 was \$44,266, the estimated median house value is \$330,000 of which 17.3% of Santa Fe's residents lived in poverty. According to HUD's foreclosure and abandonment risk score Santa Fe has an average abandonment risk of 2.47.

HUD's estimated foreclosure percentage for the City of Las Cruces is 4% of homes that will be foreclosed in New Mexico. According to City-Data.Com the estimated median household income in 2007 was \$36,307, the estimated median house value was \$148,800 of which 20.6% of Las Cruces' residents lived in poverty. According to HUD's foreclosure and abandonment risk score Las Cruces has an abandonment risk of 4.47 which is also higher than the state average.

After eliminating the entitlement cities, MFA has identified the following Counties with the greatest need, with an assessment risk over 7.00; Eddy County 8.24, Valencia County 8.00, Santa Fe County 8.00, Otero County 7.44, Chavez County 8.27, Cibola County 8.69, San Juan County 7.82, Luna County 8.89, San Miguel County 8.03, Grant County 7.70, Curry County 9.20, Lea County 9.16, Guadalupe County 9.0 and Bernalillo County (w/o ABQ) 7.16.

A.1 Areas of Greatest need by each entity:

City of Albuquerque:

According to HUD's estimated foreclosure and abandonment risk score City of Albuquerque has a risk factor of 6.75. Almost 23,000 people in Albuquerque earn less than 30% of the Area Median Income (AMI) and therefore are at significant risk of homelessness; by 2011, that number is expected to rise to over 24,000. According to the National Association of Homebuilders Housing Opportunity Index, in the fourth quarter of 2001, families with median incomes in Albuquerque could afford 71.5% of the homes on the market. By 2006, that percentage had dropped to 39.7%. The number of people earning less than \$10,000 per year increased 51% between 2000 and 2005. The most vulnerable to becoming homeless are the 13,368 renter households who earn less than 30% of median income. (See exhibit D)

City of Santa Fe:

According to HUD's estimated foreclosure and abandonment risk score City of Santa Fe has a risk factor of 3.45. While Santa Fe has had fewer foreclosures than Albuquerque or Las Cruces, Santa Fe believes the biggest foreclosure numbers are yet to come. Housingpolicy.org reports that Santa Fe has 150 foreclosed loans. Realtytrac.com reports Santa Fe had 68 homes foreclosed within the last year, which averages out to 5 - 6 homes foreclosing each month. There are currently 112 homes in pre-foreclosure in Santa Fe, according to Realtytrac.com. Housingpolicy.org states there are 426 homes that are 30 days delinquent in payment. (See exhibit E)

City of Las Cruces:

According to HUD's foreclosure and abandonment risk score City of Las Cruces has an abandonment risk of 7.00, which is higher than the state average. HUD's estimated foreclosure percentage for the City of Las Cruces is 4% of homes that will be foreclosed in New Mexico. According to City-Data.Com the estimated median household income in 2007 was \$36,307, the estimated median house value was \$148,800 of which 20.6% of Las Cruces' residents lived in poverty. (See exhibit F)

Mortgage Finance Authority:

MFA qualified the following counties based off:

1. HUD Provided Local Level Data, Local Level Foreclosure Data, NSP section of HUD User web page; NM County worksheet, with adjustment to subtract Albuquerque from Bernalillo County numbers.

2. DataPlace, KnowledgePlex, Inc., Data Profiles for each county, using 2007 HMDA data; Median loan amount for home purchase of 1 to 4 family units (2007) and Median loan amount for home improvement of 1 to 4 family units (2007).
3. US Census Bureau, 2005-2007 American Community Survey 3-Year Estimates, Units in Structure.
4. US Census Bureau, 2007 Population Estimates, Housing Units.

MFA QUALIFIED COUNTIES:

County	(A) ⁴ Housing Units 2007	(B) Estimated f/c rate based on 2007 Housing Units (C/A)	(C) ¹ Estimated number f/c
1. Sandoval County (Rio Rancho)	43,723	2.9%	1,285
2. Valencia County	26,583	1.8%	474
3. Bernalillo w/out ABQ	50,124	1.6%	798
4. Chaves County	25,957	1.2%	321
5. Lea County	24,045	1.2%	295
6. Luna County	11,955	1.2%	145
7. Eddy County	22,774	1.2%	275
8. Curry County	20,357	1.2%	236
9. Dona Ana County	76,805	1.1%	854
10. San Juan County	45,246	1.0%	464

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B. DISTRIBUTION AND USES OF FUNDS

State of New Mexico's initial proposed amendment under Distribution of Uses:

On October 31, 2008, LGD requested all the entitlement cities and MFA submit a narrative describing the eligible NSP uses and their intent for implementation. Albuquerque, Santa Fe, Las Cruces, Rio Rancho and MFA all responded. Albuquerque, Santa Fe, Las Cruces and MFA provided documentation regarding the uses of NSP funds and demonstrated the capacity and resources to implement the funds. However, in its response, the City of Rio Rancho expressed that they neither have the personnel nor the expertise to administer the NSP program. MFA will be helping the City of Rio Rancho. The City of Farmington verbally informed LGD that they do not have a foreclosure problem and was not interested in this program.

NSP eligible uses are as follows:

- (A) Establishing financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan reserves, and shared-equity loans for low and moderate-income homebuyers;
- (B) To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- (C) Establish land banks for homes that have been foreclosed upon;
- (D) Demolish blighted structures;
- (E) To redevelop demolished or vacant properties

The Local Government Division recommended in our proposed amendment the following distribution of funds:

City of Albuquerque receive \$6,510,000 to be able to (A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan reserves, and shared-equity loans for low and moderate-income homebuyers and (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. (D) Demolish blighted structures and (E) to redevelop demolished or vacant properties. Albuquerque has identified 90 properties that are foreclosed and 99 distressed, vacant or abandoned properties where they would use the funds. In addition, LGD will award an amount not to exceed 7% of the funds used by Albuquerque for NSP purposes or \$490,000, which ever is less, for administration.

City of Santa Fe receive \$2,790,000 to be able to (A) Establishing financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan reserves, and shared-equity loans for low and moderate-income homebuyers; (B) To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties; (D) Demolish blighted structures; (E) To redevelop demolished or vacant properties. The City of Santa Fe would focus its efforts on purchasing and rehabilitating homes and residential properties abandoned or foreclosed. In addition, LGD will award an amount not to exceed 7% of the funds used by City of Santa Fe for NSP purposes or \$210,000, which ever is less, for administration.

City of Las Cruces receive \$1,395,000 to be able to focus on (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. Their focus would be split between homeownership opportunities and rental properties. However, the following eligible activities either solely or in combination would be considered; (A) Establishing financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan reserves, and shared-equity loans for low and moderate-income homebuyers. (D) Demolish blighted structures and (E) to redevelop demolished or vacant properties. In addition, LGD will award an amount not to exceed 7% of the funds used by City of Las Cruces is for NSP purposes or \$105,000, which ever is less, for administration.

MFA receive \$6,056,160 to be able to help in all categories of the eligible uses for NSP funds except (C) establish land banks for homes that have been foreclosed upon. Depending on the counties with the greatest need other than the entitlements cities listed. MFA has identified 14 counties, Eddy County, Valencia County, Santa Fe County, Otero County, Chaves County, Cibola County, San Juan County, Luna County, San Miguel County, Grant County, Curry County, Lea County, Guadalupe County, and Bernalillo County (w/o ABQ). MFA will also help City of Rio Rancho. MFA will consider any other counties that can provide specific area of need. In addition, LGD will award an amount not to exceed 7% of the funds used by MFA for NSP purposes or \$455,840, which ever is less, for administration.

Other statewide agencies or local governments receive \$930,000 to be able to (D) Demolish blighted structures through out the entire state of New Mexico in those areas with the greatest need. In addition, LGD will award an amount not to exceed 7% of the funds used by statewide agencies or local governments for NSP purposes or \$70,000, which ever is less, for administration.

Local Government Division shall use \$588,000 (3%) for administrative funds to be able to effectively distribute and monitor all grantees to ensure all regulations are in compliance with the Federal Register Part III of the Department of Housing and Urban Development.

B.1 Final Distribution of uses of Funds (summarized):

City of Albuquerque:

- \$7,000,000 (36% of \$19,600,000) in NSP funds.
 - \$490,000 (7%) to be used for administration.
- The City will use the funds to purchase and rehabilitate foreclosed properties and resell and/or rent them to income eligible families.
 - Homes that cannot be rehabilitated will be purchased for demolition.
- \$5,375,000 will be used for acquisition/rehab for resale or rent, demolition and redevelopment.
 - 20 rental units will be acquired for income levels at or below the 50% of AMI.
 - 5 home ownership or lease to own units will be acquired for income levels between 50% - 80% of AMI.
 - 17 home ownership or lease to own units will be acquired and for income levels between 81% - 120% of AMI.
- \$1,035,000 will be used for financing mechanisms (2,000,000 in private funding will be used).

- 5 home ownership or lease to own units will be acquired for income levels between 50% - 80%.
- 17 home ownership or lease to own units for income levels between 80% - 120% of AMI
- \$100,000 will be used for HUD-Certified Counseling Provider
- NSP funds will be spent on eligible activities in the following census tracts where 51% of the households have incomes at or below 120% of area median income, which scored highest on the three risk factors: 0205, 0603, 0707, 0901, 0904, 1300, 1400, 1500, 2402, 2900, 4401, 4300, 4705, 4712, 4713, and 4732.
- Total housing units benefiting: 64
 - 20 rental
 - 44 ownership

City of Santa Fe:

- \$2,000,000 (11% of \$19,600,000) in NSP funds.
 - \$140,000 (7%) to be used for administration.
- \$200,000 will be used to purchase land to build a minimum 8 lots for income levels at or below the 50% of AMI. \$80,000 will be used in private funding in this category.
- \$730,000 will be used to purchase a minimum of 4 homes for permanently affordable housing for income levels at or below the 50% of AMI.
 - These units can include condos, town homes, multi-family residence and single family homes.
- \$930,000 will be used to purchase a minimum of 4 affordable homes for those who earn between 50% -100% of AMI.
 - These units will be single family homes.
- NSP funds initially will be spent in one of the following Census tracts that are identified as areas of the greatest need; 000700, 001106, 001202, 001202, 001107,000101,000200, 000300, 000400, 000500, 000600, 000800, 001002, 001201, 010500.
- Total housing units benefiting: 32

City of Las Cruces:

- Requested \$1,500,000 (8% of \$19,600,000) in NSP funds.
 - \$105,000 (7%) to be used for administration.
- The City will partner with at least two local organizations to purchase, develop and rehabilitate up to 14 rental and homeownership units.
 - Single family detached houses are preferred, though duplexes, single family attached properties and other small multifamily properties (generally less than 8 units) for rental purposes may be considered.

- \$700,000 will be used for rental property acquisition, demolition/rehabilitation as appropriate.
- \$695,000 will be used for property acquisition, demolition/rehabilitation and sale to new property owners, as appropriate.
- NSP funds will be spent on the following Census tracts that are identified in the areas of greatest need;
 - First Priority level will be 0300, 0500, 0402, 0102 0200.
 - Second Priority level will be 0600, 0700, 0800, 0900, and 0401.
 - Other Census tracts within the City limits may be considered, but are not the first priority for property identification and selection.
- Total housing units benefiting: 14

Mortgage Finance Authority (MFA):

- \$8,708,000 (44% of \$19,600,000) in NSP funds.
 - \$783,720 (9%) to be used for administration.
- MFA has identified 10 Counties (See qualifying counties above) to be able to receive NSP assistance (excluding, Albuquerque, Santa Fe, Las Cruces).
 - MFA will restrict its initial allocation of the balance-of-state NSP Allocation to the counties shown above. The estimated household units and estimated number of foreclosures were used to calculate an estimated foreclosure percentage rate, with the counties ranked based on that percentage
- \$2,638,721 will be used to help finance 23 homes.
 - 4 houses below 50% of AMI,
 - 10 houses between 51% - 80% of AMI,
 - 9 houses between 81% - 20% of AMI.
- \$3,225,103 will be used to purchase 29 abandoned or foreclosed homes
 - 16 houses below the 50% of AMI.
 - 13 houses between 51% -120% of AMI.
- \$437,000 will be used to Land Bank 5 abandoned or foreclosed properties.
- \$157,500 will be used to redevelop 4 demolished or vacant properties.
- \$1,465,956 will be used for rural counties not appearing on the priority list above.
- Total units benefiting: 52
 - 47 housing
 - 5 land banks
 - 4 properties to be redeveloped

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Below is a summary of how MFA intends to use the dollar amounts of NSP funds based on the area's of greatest need:

Total Allocation	\$8,708,000
Less Admin %	783,720
Subtotal	7,924,280
Less land bank \$	437,000
Less redevelop \$	157,500
Subtotal	7,329,780
80%	5,863,824

County	\$ allocated	# houses	45%	55%
Sandoval County - Rio Rancho	1,750,000.00	14	6	8
Valencia County	540,014.10	5	2	3
Bernalillo County w/o ABQ	909,137.66	7	3	4
Chaves County	365,705.75	3	1	2
Lea County	336,084.73	3	1	2
Luna County	165,194.19	2	1	1
Eddy County	313,299.32	3	1	2
Curry County	268,867.78	3	1	2
Dona Ana County	686,899.08	7	3	4
San Juan County	528,621.40	5	2	3
TOTAL	5,863,824.01	52	23	29

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DFA/Local Government Division recommends the following distribution of funds:

	LGD Original Recommendation	LGD Original Administration (Included in Recommendation)	LGD Original % of Admin
City of Albuquerque	7,000,000	490,000	7%
City of Santa Fe	3,000,000	210,000	7%
City of Las Cruces	1,500,000	105,000	7%
City of Farmington	0	0	0%
City of Rio Rancho	0	0	0%
Mortgage Finance Authority (MFA)	6,512,000	455,840	7%
Other Statewide Agencies	1,000,000	70,000	7%
Local Government	588,000	588,000	3%
Total for State of New Mexico:	\$ 19,600,000	\$ 1,918,840	

	LGD Final Recommendation	LGD Final for Administration (Included in Final Recommendation)	LGD Final % of Admin
City of Albuquerque	7,000,000	490,000	7.0%
City of Santa Fe	2,000,000	140,000	7.0%
City of Las Cruces	1,500,000	105,000	7.0%
City of Farmington	0	0	0%
City of Rio Rancho	0	0	0%
Mortgage Finance Authority (MFA) Includes Rio Rancho	8,708,000	783,720	9.0%
Local Government	392,000	392,000	2.0%
Total for State of New Mexico:	\$ 19,600,000	\$ 1,910,720	

Due to the low percentage of current foreclosures in Santa Fe DFA/LGD is recommending a decrease of \$1,000,000 from our original recommendation for the purchase of low to moderate income housing for the City of Santa Fe.

Due to the high need in the counties outside of City of Albuquerque, City of Santa Fe, and City of Las Cruces, DFA/LGD recommends a funding increase of \$2,196,000 from the original recommendation. MFA will now help the 10 counties identified above as well as use 20% of its allocation for the balance of the state depending on where the need is greatest.

DFA/LDG's original recommendation for administration will decrease by \$196,000 (1%) in order to help MFA administer NSP funds to the balance of the state.

The City of Las Cruces and City of Albuquerque will remain with the same original recommended allocation.

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Local Government Division Requirements:

- Rehabilitation/Repair activities may not exceed \$50,000 in NSP funds per home.
- Mandatory two month progress report will be submitted by entities to LGD.
- Value at time of offer acceptance of all properties to be purchased by the developer **MUST** be 10% below actual market value. Exceptions may be granted below or above this amount provided all properties in the aggregate are acquired at or below 10% of market value.
- Each entity records must maintain sufficient documentation for each activity. LGD will determine compliance with each activity at time of monitoring.
- Audit reports must be conducted in accordance with OMB Circular No. A-133.
- Each entity may determine the appropriate interest rate for persons at or below 50% of AMI, for persons at 51% to 80% AMI, and persons below 120% AMI. If you need guidance in determining the interest rate, please see MFA's activity #1.

Eligible Sub-Recipient Applicants

Sub-recipients must meet the following threshold criteria when they apply for NSP funding:

- Be either a state or local governmental agency, housing authority, tribal agency, non-profit or for profit organization
- Provide documentation of being duly organized in accordance with state or local law and in good standing with any state authority such as the Public Regulation Commission (e.g. Articles, Bylaws, and Certificate of Good Standing for a Corporation; Articles, Operating Agreement, and Certificate of Good Standing for a Limited Liability Company; partnership agreement and certificate of limited partnership for a partnership; 501 (c) (3) designation for a non-profit).
- Have amongst its purposes significant activities related to providing housing or services to persons or households of low or moderate income.
- Be in "good standing" as of the date of application. In order to be in good standing, Offer must not have un-cleared findings older than 60 days from any funding source nor have "suspended" or "debarred" status conferred upon it by MFA or entitlement entity and/or other funding sources as evidenced by providing a print screen from the www.epls.gov website.
- Audit reports must be conducted in accordance with OMB Circular No. A-133.

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Correlated CDBG Activities

Additionally, each NSP activity funded must also be CDBG-eligible under 42 U.S.C. 5305 (a) and meet a CDBG national objective. The chart below provides the correlated eligible activity under the CDBG Entitlement Regulations:

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, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).
(C) Establish land banks for homes that have been foreclosed upon	<ul style="list-style-type: none"> • 24 CFR 570.201 (a) Acquisition and (b) Disposition.
(D) Demolish blighted structures	<ul style="list-style-type: none"> • 24 CFR 570.201 d) Clearance for blighted structures only.
(E) Redevelop demolished or vacant Properties	<ul style="list-style-type: none"> • 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 (as modified below). • 204 Community based development organizations.

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Project Preferences

Projects will be evaluated based on the following preferences for sub-recipients:

- Projects proposed by applicants with demonstrated capacity to implement within the statutory time frame of 18 months.
- Projects with a focused strategy for effective neighborhood stabilization, including addressing the factors that make the area vulnerable to future foreclosures.
- Projects proposed by applicants with experience administering and delivering the specific activities for which the NSP funds would be used. If significant administrative responsibilities will be assigned to another entity via subcontract, the experience of that entity will be considered as well.
- Projects that achieve the longest possible affordability period, especially those in which the local applicant provides ongoing monitoring.
- Projects that provide supportive housing units.

Mandatory Requirements:

- Projects that detail how high quality pre-purchase counseling will be provided to new homebuyers, as required by the Notice.
- Projects that provide sustained affordability by incorporating green building and energy efficiency improvements.

Timely Use of Funds and Redistribution

All NSP funds must be initially obligated within 18 months of execution of the NSP agreement with HUD or HUD will recapture the unused funds from the state. In accordance with NSP, "funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or sub-recipient during the same or a future period. Note that funds are not obligated for an activity when sub-awards (e.g., grants to sub-recipients or to units of local government) are made." Once obligated, all funds must be spent within four years.

In order to assure the expenditure of funds within this strict time frame, DFA/Local Government will evaluate each recipient's progress in obligating their NSP resources against specific benchmarks;

- RFQ/RFP: published, evaluated, and recommended.
- Contracts: signed and executed by both parties.
- Location: Identify properties
- Loan: Underwriting guidelines
- Reporting: Mandatory two month progress report will be submitted to LGD
- Payment: Reimbursement requests
- Reviews: Environmental

At six months any recipient not on target with above listed benchmarks may be at risk of recapture of funds by DFA/Local Government. DFA/Local Government will subsequently reallocate the unused NSP funds to any eligible NSP recipients.

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C. DEFINITIONS AND DESCRIPTIONS

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

The definition of "blighted area" Cities Development Act initially on our proposed amendment was identified with what we have in our CDBG rules and regulations. This act has been repealed and the citation is now the Metropolitan Redevelopment Act NMSA 1978M 3-60A-4, Definitions.

I. "blighted area" means an area within the area of operation other than a slum area that, because of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivision or lack of adequate housing facilities in the area or obsolete or impractical planning and platting or an area where a significant number of commercial or mercantile businesses have closed or significantly reduced their operations due to the economic losses or loss of profit due to operating in the area, low levels of commercial or industrial activity or redevelopment or any combination of such factors, substantially impairs or arrests the sound growth and economic health and well-being of a municipality or locale within a municipality or an area that retards the provisions of housing accommodations or constitutes an economic or social burden and is a menace to the public health, safety, morals or welfare in its present condition and use;

At the next Community Development Council (CDC) hearing scheduled for June 17, 2009, on proposed rule changes, Local Government Division will implement the new act into our CDBG rules and regulations.

(2) Definition of "affordable rents."

"Affordable Rents" Unless otherwise defined below, NSP-assisted rental units will carry rent and income restriction requirements, rental units must be occupied only by households that are eligible as low or moderate income families. Households must have incomes that are less than or equal to 80% AMI, adjusted for family size.

NSP assisted rental units must meet the following requirements to qualify as affordable housing.

- If within the NSP required 25% set aside to house individuals or families whose incomes do not exceed 50% of area median income, rents must be equal to or less than the Low Income Housing Tax Credit program rent level for 50% of area median income units. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

- For all other rental units created under the NSP program, affordable rents will be the lesser of:
 - The applicable fair market rents for the area, less all utility costs paid by the tenants; or
 - Thirty percent (30%) of the adjusted income of a family whose annual income equals eighty percent (80%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit or family size.

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

Periods of Affordability

NSP-assisted units must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. Restrictions must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by MFA and/or entitlement entity, except that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure. Sub-recipients must maintain copies of the recorded instruments in their project files.

Minimum Period of Affordability in Years

Rental - Each sub-recipient is encouraged to exceed the minimum periods of affordability as determined below for the longest feasible term. Affordability requirements will be maintained through a use restriction.

Rental Housing Activity	Minimum Period of Affordability in Years
Rehabilitation or acquisition of existing housing per unit amount of NSP 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 rental housing (92.252.e)	20
The refinancing of existing debt secured by housing that is being rehabilitated with NSP funds (92.206.b)	20

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Homeownership - Each sub-recipient is encouraged to exceed the minimum periods of affordability as determined below for the longest feasible term. For NSP assisted housing used for homeownership, resale or recapture provisions will be placed against the property in the form of a use restriction.

Grant Amount Per Unit	Minimum Period of Affordability in Years
Under \$25,000	5
\$25,000 to \$50,000	10
Over \$50,000	15

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

Housing rehabilitation will be conducted in accordance with MFA Housing Rehabilitation Standards, which include energy efficiency requirements. Those standards can be found at <http://www.housingnm.org/contractAdmin/PublicationsCA.htm>, in the Homeowner Rehab Manual.

D. LOW INCOME TARGETING

As required under NSP, at least 25% of the \$19,600,000 allocation, or \$4,900,000, must benefit individuals and families whose incomes do not exceed 50% of the area median income (AMI). Local Government anticipates that a variety of NSP eligible housing activities may be undertaken to meet this goal. Units assisted under this set-aside must provide permanent housing and cannot be shelter or transitional housing units, or group homes, as these activities are considered public facility activities under the CDBG program and not part of the NSP requirements.

The City of Albuquerque will be using a "Request for Proposal" (RFP) process for the development or rehabilitation of rental units that will provide housing for families at or below 50% of area median income (AMI). \$1,750,000 (25%) will be allocated for the households that are below 50% of the AMI for purchase rehab or construction.

The City of Santa Fe will dedicate \$864,900 to the under 50% of AMI category, which amounts to 46.5% of the total allocation.

The City of Las Cruces will work with local non-profits to identify the households that qualify under the 120% of AMI, primarily for its homeownership program of NSP. In order to meet the income requirements for those who do not exceed the 50% AMI, primarily for its rental development program of NSP, Las Cruces will also work with Mesilla Valley Community of Hope (homeless service and housing provider), La Casa (local domestic violence shelter and housing provider), the YWCA (homebuyer and renter education and other supportive services) and Families and Youth, Inc. (transitional housing and services provider for young adults), as appropriate. All income-eligible individuals and families must be U.S. citizens or legal immigrants and residents of the City of Las Cruces or Dona Ana County, unless homeless or migrant farm workers. City of Las Cruces expects at least \$488,250 (35%) of funds awarded will be directed to those whose income does not exceed 50% of the AMI.

MFA will establish a Low Income Set-Aside in an amount equal to 25% of MFA's allocation totaling \$1,981,070 for projects serving households at less than 50% of area median income.

The total allocation benefiting individuals and families whose income does not exceed 50% of the area median income (AMI) is \$5,084,220, which is above the 25% requirement.

Eligible Housing Activities:

- Use of NSP funds as low or no interest loans that will assist home buyers with the purchase and rehabilitation of foreclosed residential properties. Loans may be used for:
 - First and second mortgage loan financing for the acquisition of abandoned and/or foreclosed residential properties for qualified homebuyers;
 - Loan buy-down;
 - Closing costs; and
 - Grants for rehabilitation of the home to assure safety, quality, and habitability.
- Acquisition and rehabilitation of foreclosed or abandoned residential properties that may be used for rental housing. Models likely to be undertaken include rental housing units for special needs populations such as homeless, chronically mentally ill, developmentally disabled, and released offenders. Permanent supportive housing is eligible as well as units for low income families. Shared housing models can be considered if each tenant has an individual lease.
- Land banking, demolition of blighted structures and redevelopment of demolished sites into affordable rental units or homeownership opportunities may also be accomplished as long as the properties have been abandoned or foreclosed. The project must meet an eligible housing activity and provide housing for very low income individuals.

E. ACQUISITIONS & RELOCATION

The entities do not intend at this time to demolish or convert any low and moderate income dwellings. If this intention changes, an amendment to the Plan will be submitted, to include this category.

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F. PUBLIC COMMENT

On October 27, 2008 at 10:00 a.m. a public hearing was conducted concerning the US Department of Housing and Urban Development, Neighborhood Stabilization Program (NSP). Notice of this hearing was sent to all counties, municipalities, and Council of Governments (COG). There were approximately thirty (30) participants that attended the public hearing. Included in this public hearing was an overview of the NSP program by Mr. Frank Padilla, Director of Community Planning and Development. Mr. Sam Ojinaga, Deputy Director of Local Government Division and Ms. Dolores Gonzales, Bureau Chief, gave a presentation on the rules and regulations of the program. There were 10 comments/concerns from the public. Copies of the minutes are included (See Exhibit H)

The Substantial Amendment to *2009 Action Plan* was published in The Albuquerque Journal, The Las Cruces Sun News, and The Santa Fe New Mexican on November 8, 2008. The Substantial amendment was also available on LGD/Community Development web page, with a comment period of 15 days which ended on November 23, 2008. The following is a summary of the public comments the State of New Mexico, Department of Finance and Administration, Local Government Division received.

MFA's comments included that the Community Development act was repealed and stated that it is now the Metropolitan Redevelopment Act, NMSA 1978M, 3-60A-4, Definitions. **LGD response:** At the next Community Development Council (CDC) hearing scheduled for June 17, 2009 on proposed rule changes, LGD will implement the new act into our CDBG rules and regulations. MFA also brought it to our attention that Local Government's definition for continued affordability did not address loan terms for single family homes, and, if used for rental it put an undo burden on sub-recipients. **LGD response:** LGD has now adopted the HOME standards of continued affordability. MFA asked what dates we were using to determine the "areas of greatest need" **LGD response:** The % of high interest loans was data from 2006 and can be found on: <http://online.wsj.com/public/resources/documents/retro-SUBPRIME07.html>, The Average abandonment risk was from HUD's calculations. The statistics on median house hold income, household value and % of poverty was from July 2007 and can be found on: <http://www.city-data.com/city/Santa-Fe-New-Mexico.html> ; <http://www.city-data.com/city/Albuquerque-New-Mexico.html> ; <http://www.city-data.com/city/Las-Cruces-New-Mexico.html>. MFA was concerned that using CDBG housing standards are not adequate to ensure a quality. **LGD response:** NSP funds will require that HOME rehabilitation housing standards be used.

Louis Kolker from the Greater Albuquerque Housing Partnership submitted the following comments: On behalf of the Greater Albuquerque Housing Partnership (GAHP), I want to thank you for this opportunity to have input into the State's Plan for the use of the NSP funds. On behalf of the GAHP, I would like to request that a portion of the 19.6 Million dollars in NSP funds available to New Mexico be set aside specifically for redevelopment of demolished or vacant properties in Metropolita Redevelopment Areas and HUD Consolidated Plan Neighborhoods in Albuquerque. I would suggest that approximately 10% or \$2.0 Million be set aside specifically for that purpose. Using the \$2.0 Million for redevelopment in MRA's and Consolidate Plan Neighborhoods will enable non-profits such as the GAHP to leverage \$6.0 to \$8.0 Million dollars in new housing construction for low and moderate income housing. Thank you again for the opportunity to provide this input. **LGD response:** an allocation amount of \$7,000,000 (including administration) will be allocated to the City of Albuquerque who has determined the areas of greatest need. We encourage your housing partnership to contact and work with the City of Albuquerque to accomplish these goals.

Alex Tafoya from San Miguel County Planning and Zoning had the following comments: Local Government Division is recommending distribution of funds not to exceed 7% or \$455,840 to be used for administration purposes. Question: If such use for administrative purposes is approved, does this mean that a county can apply for funds for a project and use a portion of the funds for administrative purposes? **LGD response:** Yes, MFA will receive an allocation which will help those counties with areas of greatest need. MFA will allow any sub-recipient an amount up to 8% of administration for their allocation. San Miguel County is one of the 21 counties listed as counties with greatest need. If you have an activity that is eligible under the NSP program please provide your proposal to MFA for consideration. Question two: Does a "blighted area" need to be determined by the local governing body by enactment of a resolution? **LGD response:** No, but they must follow the definitions and requirements of the CDBG rules and regulations. Which identify the Slum and Blighted area of your community. Question three: Will the local governing body need to adopt by resolution specific to the proposed project the certifications that are listed on page 12 of the public notice? **LGD response:** Yes they must adopt the certifications if they receive NSP funds.

Pilar Cannizzaro from NM Historic Preservation Division (HPD) had the following comments/additions are as follows: First question: Under "C. Definitions and Descriptions", part (4): Describe Housing rehabilitation standards that will apply to NSP assisted activities, the response should read: "Housing rehabilitation will be in accordance to Section 8 Standards as used in the CDBG program. If historic districts or individual properties, either listed or eligible for listing on the National Register of Historic Places, are affected, those rehabilitation activities shall meet the current Secretary of the Interior's Standards for Rehabilitation and shall be subject to review by the NM Historic Preservation Division for compliance with Section 106 of the National Historic Preservation Act." Second Question: Under your "Certifications" Section, Part (15) Compliance with Laws, the Sentence should read: "The Jurisdiction will comply with all applicable laws, including Section 106 of the National Historic Preservation Act, where applicable, for any rehabilitation or demolition activity funded under the NSP Program. **LGD response to both questions:** The Recovery Act Section VIII, under Housing Preservation will address these concerns. Question Three: Finally, under the Local Government Division recommendations for the distribution of funds (Pages 3 and 4 of your draft), our office would like to remind the DFA that some of the Administrative funds to effectively distribute and monitor all grantees and ensure that all regulations are in compliance with the Federal Register Part III of the Dept. of Housing and Urban Development (HUD), could also be allocated to partially fund a staff reviewer in our agency as needed to handle the anticipated influx of Section 106 reviews over the 18-month period to implement the NSP program, including the negotiation of Programmatic Agreements with some grantees receiving funds. That funding is allowed under HUD's permitted uses of the NSP funds and depending on the amount of reviews by our office generated by this program's funded activities, we could use some aid to allocate staff specifically to review those in an expedite manner. **LGD response:** We will take into consideration the request for administrative money.

Hank Hughes, Executive Director, from New Mexico Coalition to End Homelessness had the following questions and/or comments: We have reviewed the state plan for Neighborhood Stabilization Program (NSP) funding that has been posted on the Department of Finance website. We believe the plan needs to better address how NSP funds will be targeted to **rental** housing for people with incomes at or below 50% of area median income. It is our experience that people with income levels at or below 50% AMI benefit more from affordable **rental** housing than from home ownership opportunities since many are simply financially unable to purchase a home. Therefore, in order to comply with the requirement that 25% of NSP funds benefit households at or below 50% AMI, the plan must address how

NSP funds will be used to develop rental housing for this income group. Under Section D, the sub grantees explain how they will identify people who are at or below 50% AMI. However, sub grantees must do more than just identify eligible households - they also need to address how they will target funds to rental projects that will benefit these households. More specifically, we believe each community in New Mexico that receives NSP funds should use some of those funds for programs such as: Supportive housing for people with disabilities where rental housing is combined with services, Scattered site low income rental housing where several foreclosed single family homes are purchased in a neighborhood and rented to low-income households, Mixed income multi-family rental housing where foreclosed multi-family properties are purchased and rented to people with a mixture of incomes at 50% of median and lower. **LGD response:** rental housing for people with incomes at or below 50% of area median income has been addressed in our substantial amendment. Once HUD reviews and approves the amendment it will be available to all entities and non profits on LGD's website.

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G. NSP INFORMATION BY ACTIVITY

ACTIVITY #1 (City of Albuquerque)

(1) Activity Name: **NSP Acquisition/Rehab for Resale or Rent, Demolition and Redevelopment**

(2) Activity Type:

- a) NSP Eligible Use
- 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
- d) Demolition of blighted structures
- e) Redevelop demolished or vacant properties

CDBG eligible activity (24 CFR. 570.201)

- (a) Acquisition
- (b) Disposition
- (c) Public facilities and improvements
- (d) Clearance for blighted structures only
- (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
- (n) Direct homeownership assistance (as modified below):
 - 570.204 Community based development organizations
 - 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 this activity)

(3) National Objective: Benefits low, moderate and middle income persons at or below 120% of Area Median Income.

(4) Activity Description:

- a) This combination of Activities will be undertaken by the City, either directly or through contracts with third parties, in those Census Tracts which are LMMA's and score highest in the number of foreclosures, the highest percentage of sub prime loans and have the highest scores for prediction of a foreclosure problem within the next 18 months.
- b) Under this activity, the City, either directly or through contracts with third parties, will acquire properties for demolition, and for rehabilitation and redevelopment in order to sell the homes or rent the apartments to income eligible individuals or families.
- c) Income qualified persons will benefit because they will be able to purchase, rent, or lease to own a home. If they are in a redeveloped area, they will enjoy the benefits of a revitalized area.
- d) The requirement that 25% of the NSP funds must be spent to meet the needs of families at or below 50% of AMI will be met under this activity.
- e) The City will also pursue public/private partnerships in order to leverage the public funds to the greatest extent possible.

(5) Location Description: Addresses located within the following Census Tracts which are LMMA's and scored highest on the three risk factors will be the principal areas for these

activities: 0205, 0603, 0707, 0901, 0904, 1300, 1400, 1500, 2402, 2900, 4401, 4300, 4705, 4712, 4713, 4732.

(6) Performance Measures: It is projected that properties will be acquired and rehabilitated or redeveloped and will benefit households as follows*:

- a) For income levels at or below 50% of the Area Median Income – 20 rental units
- b) For income levels between 51% and 80% of the Area Median Income - 5 home ownership or lease-to-own units
- c) For income levels between 81% and 120 % of the Area Median Income - 17 home ownership or lease-to-own units

**NOTE: These performance measures identify the total number of units that the City expects to develop under this allocation of NSP funding. This number does not take into account any program income generated by this activity, as it is difficult to project program income at this time. However, any program income generated through the rental or sale of units will be applied in accordance with the Neighborhood Stabilization Program.*

(7) Total Budget:

a) Public Funds:

\$1,750,000 for households at or below 50% AMI
\$3,375,000 for households between 51 and 120% AMI
\$ 250,000 for Demolition Costs (based on no more than 10 properties)
\$5,375,000 Total Public Funds

b) Private Funds: Subject to establishing public/private partnerships that will leverage the public funds.

(8) Responsible Organization:

City of Albuquerque,
Department of Family and Community Services
400 Marquette NW, Suite 504,
Albuquerque, NM 87102
Doug Chaplin, Program Manager
(505) 768-2745 or dchaplin@cabq.gov

(9) Projected Start Date:

Two weeks after notification that the State has signed the Agreement with HUD and the City has been awarded a specific allocation of NSP funds.

(10) Projected End Date:

Funds will be obligated within 12 months after date of notification from the State of the City's NSP award, and it is projected that all funds in this Activity will be expended within 3.5 years of the date of the State's notification of the City's award.

(11) Specific Activity Requirements:

- a) For acquisition activities, include:
 - o Discount rate – total portfolio 10%
- b) For housing related activities, include:
 - o Duration or term of assistance

-if NSP funds only, 5-20 years based upon conditions as follows:

Amount of Funding per Unit	Use Restriction Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000 or rehabilitation involving financing	15 years
New construction or acquisition of newly constructed housing	20 year
Any amount of funding received from the Workforce Housing Trust Fund	Permanent Affordability as defined in the Workforce Housing Program Regulations

- if NSP funds are leveraged with Workforce Housing Trust Funds - permanent affordability based upon the definition in the Workforce Housing Program Regulations
- c) Tenure of beneficiaries – rental and homeownership
- d) A description of how the design of the activity will ensure continued affordability
- Note and Mortgage: All funds provided to developers or homebuyers shall be evidenced by a promissory note and secured by a mortgage on the real property. The mortgage and note shall contain a default interest rate, or a share of appreciation, which shall be deferred or waived so long as the homeowner is in compliance with the terms of the NSP.
 - Deed Restriction: If the project is leveraged with Workforce Housing Trust Funds, the property shall be burdened with a deed restriction which shall be a covenant running with the land that provides the property shall not be sold, transferred, conveyed, tented or otherwise used except in accordance with the regulations of the Workforce Housing Program. The restrictive covenant shall be enforceable by the City of Albuquerque, its agents, successors and assigns in the Workforce Housing Program.
 - Ground Lease: Projects proposed by cooperative associations, land trusts and similar not-for-profit entities may develop housing using the arrangement in which the City or the entity owns the underlying land and the entity or its successors and assigns are the long-term lessee of the land and the owner of the housing improvements constructed.

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ACTIVITY #2 (City of Albuquerque)

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

(2) Activity Type:

a) NSP Eligible Use

(A) Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-second, loan loss reserve, and shared-equity loans for low- and moderate-income homebuyers

b) CDBG eligible activity

- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206
- Also, the eligible activities, listed in the chart titled "Correlated Eligible Activities From the CDBG Entitlement Regulations" in the NSP Regulations at II. H. Eligibility and allowable costs, to the extent financing mechanisms are used to carry them out

(3) National Objective: Benefits low, moderate and middle income persons at or below 120% of Area Median Income

(4) Activity Description:

- This Activity will be undertaken by the City, either directly or through contracts with third parties, in those Census Tracts which are LMMA's and score highest in the number of foreclosures, the highest percentage of sub prime loans and have the highest scores for prediction of a foreclosure problem within the next 18 months.
- Financing mechanisms, to include first mortgages, lease purchase agreements, soft-second mortgages, loan loss reserves and shared equity loans, will be established for the purchase and redevelopment of foreclosed homes and residential properties.
- Contact will be made with local lenders to identify a pool of troubled mortgages where eligible families reside and could provide the lender with a deed in lieu of foreclosure so the City could then purchase the property and allow the family to stay in the home.
- Income qualified persons will benefit because they will be able to purchase, rent, or lease to own a home. If they are in a redeveloped area, they will enjoy the benefits of a revitalized neighborhood.

(5) Location Description: Addresses located within the following Census Tracts which are LMMA's and scored highest on the three risk factors will be the principal areas for these activities: 0205, 0603, 0707, 0901, 0904, 1300, 1400, 1500, 2402, 2900, 4401, 4300, 4705, 4712, 4713, 4732

(6) Performance Measures: It is projected that households will benefit from one of the financing mechanisms as follows:

- For income levels at or below 50% of the Area Median Income – 0
- For income levels between 51% and 80% of the Area Median Income - 5 home ownership or lease-to-own units

- c) For income levels between 81% and 120 % of the Area Median Income - 17 home ownership or lease-to-own units

(7) Total Budget:

- a) **Public Funds: \$1,035,000**
- b) **Private Funds: \$2,000,000 in private financing.** Subject to establishing public/private partnerships that will leverage the public funds.

(8) Responsible Organization:

City of Albuquerque,
 Department of Family and Community Services
 400 Marquette NW, Suite 504,
 Albuquerque, NM 87102
 Doug Chaplin, Program Manager
 (505) 768-2745 or dchaplin@cabq.gov

(9) Projected Start Date:

Two weeks after notification that the State has signed the Agreement with HUD and the City has been awarded a specific allocation of NSP funds.

(10) Projected End Date:

Funds will be obligated within 12 months after date of notification from the State of the City's NSP award, and it is projected that all funds in this Activity will be expended within 3.5 years of the date of the State's notification of the City's award.

(11) Specific Activity Requirements:

For financing activities, include:

- For Financing Activities
 - Range of interest rates – 0 to market rate
- For acquisition activities, include
 - Discount rate – total portfolio 10%
- For Housing related activities, include:
 - if NSP funds only, 5-20 years based upon conditions as follows:

Amount of Funding per Unit	Use Restriction Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000 or rehabilitation involving financing	15 years
New construction or acquisition of newly constructed housing	20 year
Any amount of funding received from the Workforce Housing Trust Fund	Permanent Affordability as defined in the Workforce Housing Program Regulations

- Term of assistance: The same as the use restriction period above.
- Tenure of Beneficiaries: rental and homeownership
- A description of how the design of the activity will ensure continued affordability
 - Note and Mortgage: All funds provided to the developers or homebuyers shall be evidenced by a promissory note and secured by a mortgage on the real property. The mortgage and note shall contain a default interest rate, or a

share of appreciation, which shall be deferred or waived so long as the homeowner is in compliance with the terms of NSP.

- Deed Restriction: If the project is leveraged with Workforce Housing Trust Funds, the property shall be burdened with a deed restriction which shall be a covenant running with the land that provides the property shall not be sold, transferred, conveyed, rented or otherwise used except in accordance with the regulations of the Workforce Housing Program. The restrictive covenant shall be enforced by the City of Albuquerque, its agents, successors and assigns in the Workforce Housing Program.
- Ground Lease: Projects proposed by cooperative associations, land trusts and similar not-for-profit entities may develop housing using the arrangements in which the City of entity owns the underlying land and the entity or its successors and assigns are the long-term lessee of the land and the owner of the housing improvements contracted.

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ACTIVITY #1 (City of Santa Fe)

(1) Activity Name:

Land Purchased to Build Homes for Those Who Earn Less than 50% of the AMI

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: (B) To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;

CDBG: Acquisition of Real Property (land)

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

L/M Income Housing (<50% AMI)

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The City intends to use the NSP funds on a L/M Income Housing basis to purchase foreclosed land throughout the City. There is not one physical area to focus on. Persons who earn less than 50% of the AMI will benefit from this program.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The locations of properties to purchase are not yet known.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

A minimum of eight (8) lots will be purchased. Homes will be constructed on these lots for those who earn less than 50% of the AMI.

(7) Total Budget: (Include public and private components)

- o \$200,000 NSP funds
- o \$80,000 x 8 homes = \$640,000 to construct homes (private funding)

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Santa Fe
Office of Affordable Housing
PO Box 909
Santa Fe, NM 87504

Administrator/Contact: Melisa Dailey

(9) Projected Start Date:

February 1, 2009

(10) Projected End Date:

Properties will be purchased by August 30, 2010.

(11) Specific Activity Requirements:

For acquisition activities, include:

- 1) discount rate – 15% average across all acquisition activities

For financing activities, include:

- 2) range of interest rates - NA

For housing related activities, include:

- 3) duration or term of assistance – the home will be permanently affordable (see Section C 3 for more details)
- 4) tenure of beneficiaries--rental or homeownership - homeownership
- 5) a description of how the design of the activity will ensure continued affordability – see Section C 3 for details on how the City of Santa Fe will ensure continued affordability

ACTIVITY #2 (City of Santa Fe)

(1) Activity Name:

Permanently Affordable Rental Housing for Those Who Earn Less than 50% of the AMI

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: (B) To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;

CDBG: Acquisition of Real Property

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

L/M Income Housing (<50% AMI)

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The City intends to use the NSP funds on a L/M Income Housing basis to purchase foreclosed homes throughout the City. There is not one physical area to focus on. Persons who earn less than 50% of the AMI will benefit from this program.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The locations of properties to purchase are not yet known.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

At minimum of four (4) homes at an average of \$150,000/ home will be purchased for permanently affordable rental housing for those who earn less than 50% of the AMI. These units can include condos, townhomes, multi-family residences, and single family homes.

(7) Total Budget: (Include public and private components)

- o \$730,000 NSP funds
- o Rents will be charged to cover utilities, lease up, provide for replacement reserves, property management, and related management expenses. Some of this can be covered by Shelter Plus Care and other federal programs.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Santa Fe

Office of Affordable Housing
PO Box 909
Santa Fe, NM 87504

Administrator/Contact: Melisa Dailey

(9) Projected Start Date:

February 1, 2009

(10) Projected End Date:

Units will be purchased by August 30, 2010

(11) Specific Activity Requirements:

For acquisition activities, include:

6) discount rate– 15% average across all acquisition activities

For financing activities, include:

7) range of interest rates

For housing related activities, include:

8) duration or term of assistance – these affordable rental units will be permanently affordable

9) tenure of beneficiaries--rental or homeownership - rental

10) a description of how the design of the activity will ensure continued affordability – each rental will have a shared equity lien recorded. There is no intention for these units to ever be sold. If there is some reason to sell the property, all efforts will be put into the unit changing hands in management but maintaining it as an affordable rental. If that is not possible, a home will then be sold to an affordable buyer and follow the lien restrictions as described in Section C 3.

ACTIVITY #3 (City of Santa Fe)

(1) Activity Name:

Affordable Housing for Purchase for Those Who Earn 50-100% of the AMI

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: (B) To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;

CDBG: Acquisition of Real Property

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

L/M Income Housing (50-100% AMI)

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The City intends to use the NSP funds on a L/M Income Housing basis to purchase foreclosed homes throughout the City. There is not one physical area to focus on. Persons who earn 50%-100% of the AMI will benefit from this program. This program will not be used to meet the low income housing requirement.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The locations of properties to purchase are not yet known.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

At minimum of four (4) homes at an average of \$225,000/ home purchase price, and average \$93,000 lien, will initially be purchased. As the liens are repaid upon sale to the homeowner, we estimate another 6 homes will be purchased and sold to qualified buyers. All of these homes are affordable housing to sell to those who earn 50-100% of the AMI, with an 80% average AMI for this program. These units will be single family homes.

(7) Total Budget: (Include public and private components)

- o \$930,000 NSP funds
- o Possible funds needed to remodel units

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Santa Fe
Office of Affordable Housing
PO Box 909
Santa Fe, NM 87504

Administrator/Contact: Melisa Dailey

(9) Projected Start Date:

February 1, 2009

(10) Projected End Date:

Purchase of units: August 30, 2010

(11) Specific Activity Requirements:

For acquisition activities, include:

11) discount rate- 15% average across all acquisition activities

For financing activities, include:

12) range of interest rates

For housing related activities, include:

13) duration or term of assistance - the affordable homes will be permanently affordable

14) tenure of beneficiaries--rental or homeownership - homeownership

15) a description of how the design of the activity will ensure continued affordability - see Section C 3 for details on how the City of Santa Fe will ensure continued affordability

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ACTIVITY #1 (City of Las Cruces)

- 1) ACTIVITY NAME: RENTAL DEVELOPMENT AND TENANCY
- 2) Activity Type: NSP Eligible Areas: A,B,D and E.
CDBG Eligibility: 24 CFR 570.200(a)
- 3) National Objective: 24 CFR 570.208(2)(A) Limited Clientele, and
24 CFR 570.208(3), Housing Activities
- 4) Activity Description:

The City will establish a funding mechanism to purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell qualified developers and owners to use as rental programs for clientele primarily at or below 50% of AMI. Such mechanism will be a "Request for Qualification" (RFQ) or "Request for Proposal" (RFP), under the normal City procurement process. The RFQ/RFP will be offered to local non-profits and quasi-governmental organizations as described under item D, Low Income Targeting, above. One or more organizations will be chosen to implement the Rental portion of the NSP. An organization cannot be chosen to work in **BOTH** the homeownership and rental components of the City's NSP as described herein and in G-3, below. Such agencies, as funded, are hereinafter called the developer. Each developer may sub-contract activities as appropriate.

- a) The partnering organization/developer must organize a team of at least the following specialty areas: (i) construction with appropriate trades; (ii) real estate brokerage; (iii) appraising; (iv) rental/tenancy counseling; (v) appropriate direct supportive services; and (vi) property management, where needed, to the development team.
- b) Single family detached houses are preferred, though duplexes, single family attached properties, and other small multifamily properties (generally less than eight (8) units) to be used for rental purposes may be considered. All properties must either be foreclosed and available or abandoned, blighted and unused, with owners willing to sell. Vacant lots for infill purposes may also be considered for new residential construction.
- c) Titles to the rehabilitated properties will be transferred to the developer. The developer will own the properties outright and in perpetuity and operate them as rental units, and may partner with subsidized rental program(s) available for the units. The developer has the option of establishing a special purpose entity to own and operate these properties.
- d) The developer must establish separate accounts for rents collected, for: (i) a utilities escrow (paid into monthly @ 1/12 annual estimate; (ii) an insurance escrow (same); (iii) on-going maintenance, management and related costs (to be determined); (iv) a case management and direct supportive services fund (amount to be determined); and (v) a major maintenance and repair escrow (7% monthly rent per unit). These funds will be maintained through a local lending institution for the life of the property ownership. All expenses paid from rental income are limited to direct operations of these properties. There should not be any program income generated.
- e) If the units are sold or otherwise disposed of at any time after initial title is granted, that entity or its successor agency must refund to the City, all funds originally expended for purchase and rehabilitation for return to the State and U.S. Treasury.

- f) The developer may charge a tenant rent of no more than 30% monthly adjusted gross income (AGI). An individual unit may rent for no more than the maximum fair market rent established for that size unit by HUD.
 - g) The priority for the City's Rental NSP is to identify and target those persons making less than 50% of AMI at the time of occupancy. If the established rent for the unit is greater than 30% of tenant's adjusted monthly gross income, the owner must partner with/or accept Section 8 Housing Choice Vouchers, Transitional Housing, Supportive Housing, Emergency Shelter and/or Tenant-based Rental Assistance (TBRA) under HOME, as appropriate, to make up the difference between tenant-paid and unit rent. In such cases, Monthly Gross Income will be adjusted and utilized for the tenant rent calculation, as appropriate to the subsidy program.
 - h) Please note that a prospective renter may not qualify for a rental subsidy. In such cases, the rental charge between the tenant's 30 percent of adjusted monthly gross income and the rent level set for that unit must be absorbed by the developer.
 - i) Tenants will have their income recertified annually, at a minimum or as consistent with the rules of the subsidy programs utilized. For rent-subsidized individuals and families, continued occupancy for individuals and families shall be consistent with subsidy program rules. For non-subsidized individuals and families, continued occupancy is allowed until such time as their income exceeding 120% of AMI at a subsequent annual recertification, at which time they must find other residences within 60 days of recertification.
- 5) Location Description: First priority on properties proposed for acquisition are within those areas of greatest identified need and are the following Census Tracts, in order of priority:

<u>First Priority Level</u>		<u>Second Priority Level</u>	
1)	3.00	1)	4.01
2)	5.00	2)	6.00
3)	1.02	3)	7.00
4)	4.02	4)	8.00
5)	2.00	5)	9.00

This need is for all block groups within these Census Tracts. These are within the heart of the city and near jobs, shopping, transit, and government access. Other Census Tracts, outside the First and Second Priority Levels but within the city limits may be considered, but are not the first priority for property identification and selection.

- 6) Performance Measures: An estimated 6-8 units of housing to be acquired and demolished or rehabilitated/constructed to provide rentals.
- 7) Total Budget: The funding allocated to this activity is estimated as up to \$700,000 for rental property acquisition, demolition/rehabilitation as appropriate.
- 8) Responsible Organization:
 City of Las Cruces
 Community Development Department
 Neighborhood Services Section:

Direct Contact: David Dollahon, Neighborhood Services Administrator
City Manager: Terrence R. Moore
Dept. Director: David Weir, Community Development Director
Program Manager: Jerold Nachison, Housing Development Coordinator

Location: City of Las Cruces, 575 S. Alameda Blvd, room 147
Las Cruces, NM 88005

Mailing Address: City of Las Cruces, PO Box 20000
Las Cruces, NM 88004

Phone and emails: David Dollahon
575-528-3060 (direct line)
575-642-4053 (work cell)
ddollahon@las-cruces.org

Jerold (Jerry) Nachison
575-528-3208 (direct line)
jnachison@las-cruces.org

TTY: 575-528-3157

9) Projected Start Date: January 15, 2009

10) Projected End Date: September 14, 2010

(11) Specific Activity Requirements:

- a) At the time of a purchase offer to an owner, properties must have an appraisal no more than 60 days old.
- b) Value at time of offer acceptance of all properties to be purchased by the developer **MUST** be 10% below actual market value. Exceptions may be granted below or above this amount provided all properties in the aggregate are acquired at or below 10% of market value.
- c) The properties may be sold at a price less than the funds invested in purchase and improvement per G-3 following or turned over to the developer, per G-2(a), above. All developer certifications applicable under the CDBG regulations at 24 CFR 570, Subpart K and appropriate City and State guidelines must be submitted by the sellers.

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ACTIVITY #2 (City of Las Cruces)

- 1) ACTIVITY NAME: SINGLE FAMILY HOME OWNERSHIP PROPERTIES
- 2) Activity Type: NSP Eligible Areas: A,B, C, D and E.
CDBG Eligibility: 24 CFR 570.200(a)
- 3) National Objective: 24 CFR 570.208(2)(A) Limited Clientele, and
24 CFR 570.208(3), Housing Activities
- 4) Activity Description:

The City will establish a funding mechanism to purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell the redeveloped homes and properties. Such mechanism will be a "Request for Qualification" (RFQ) or Request for Proposal (RFP), under the normal City procurement process. The RFQ/RFP will be offered to local non-profits and quasi-governmental organizations under item D, above Low Income Targeting. One or more organizations will be chosen to implement the Homeownership portion of the NSP. An organization cannot be chosen to work in **BOTH** the homeownership and rental portions of the City's NSP, as described herein and in G-2, above. Such agencies, as funded, are hereinafter called the developer. Each developer may sub-contract activities as appropriate.

The major program features are:

- a) The partnering organization/developer must organize a team of at least the following specialty areas: (i) construction with appropriate trades; (ii) real estate brokerage; and (iii) appraising; (iv) lending institutions; and (v) homeownership counseling, as part of their development team.
- b) Single family detached houses are preferred, though duplexes (single family attached properties), may be considered. All properties must either be foreclosed and available or abandoned, blighted and unused, with owners willing to sell. Vacant lots for infill purposes may also be considered for new residential construction.
- c) Ownership is limited to families at or below 120% of Area Median Income (AMI). The City encourages the developer to give priority consideration to those persons/households above 50% and below 120% of AMI.
- d) The developer will assist in identifying eligible individuals and households (see item ii, above) and provide at least 10 hours of homebuyer counseling, per qualifying individual or family slated to purchase a unit. The monthly cost of a property to an eligible applicant should be no more than 30% of that applicant's monthly gross income. Developer will work with NSP applicants and local lending institutions to gain favorable mortgage terms.
- e) The developer has the option of establishing a sweat equity requirement of no more than 500 hours per property. These hours will be applied to the cost of the rehabilitation, to help ensure the affordability of the property.
- f) Properties may be sold outright or on a lease-to-own basis, with a lease term of no more than thirty-six (36) months.
- g) Once the properties are sold any program income generated by the developer as a result of the sale must be returned to the City for re-investment in similar properties during the initial 4-year program period. Beyond that, the City would return any such generated program income to the State for return to the U.S. Treasury.

- h) At the time of sale (after completion of rehabilitation to code), appraised value must be in the "affordable housing" range, which currently (2008) is not-to-exceed \$140,000 per unit in Las Cruces. Exceptions and special circumstances will be considered. A soft second to ensure affordability is required based on the differences between the appraisal and actual sell value.
- i) There is an Affordability Period associated with each property sold to an eligible purchaser, based on a subsidy amount (soft second) and equity gain.

If the Homeowner assisted amount is between 0-\$15,000, the affordability period is for five (5) years. If the homeowner assisted amount is between \$15,001 and 40,000, the affordability period is for ten (10) years. If the homeowner assisted amount is \$40,001 or more, it is for fifteen (15) years. The affordability period begins on the date of the original mortgage.

If at any time the property is sold or transferred during the affordability period, it must be to another qualified homeowner and must follow the equity share requirement listed below. If the property is sold by one owner to another (see No. 9, following), the start point for an equity share for the second buyer will begin at the year/date the unit is purchased. For example, if the unit has a soft second of \$17,000, the affordability period is 10 years. If the unit is sold at year 5, month 10, the affordability period will be the remainder of that established at by the original mortgage. The new owner's affordability period will begin at year 5 month 10 and go through the end of year 10. During this period, if there is any equity gain and the property is again sold, such equity will be shared between the Owner and the City. The equity sharing principle is illustrated in the following chart.

AFFORDABILITY AND EQUITY SHARING				
Equity Gain Percent Share		5-Year	10- Year	15-Year
		City/Owner	City/Owner	City/Owner
Year 1		80/20	90/10	85/15
Year 2		60/40	80/20	75/25
Year 3		40/60	70/30	65/35
Year 4		20/80	60/40	55/45
Year 5		0/100	50/50	50/50
Year 6		---	40/60	45/55
Year 7		---	30/70	40/60
Year 8		---	20/80	35/65
Year 9		---	10//90	30/70
Year 10		---	0/100	25/75
Year 11		---	---	20/80
year 12		---	---	15/85
Year 13		---	---	10/90
Year		---	---	5/95

14				
Year 15		---	---	0/100

j) The property must remain Owner-occupied during the Affordability period. If it ceases to be Owner-occupied during this period, whether through sale or otherwise, the Owner agrees to sell the property to another individual or family that qualifies as eligible under the terms of this program. The developer and the City shall have right of first refusal. The new Owner must use the property as a principle residence and be bound by the stipulations of the Affordability Period.

5) Location Description: First priority on properties proposed for acquisition are within those areas of greatest identified need and are the following Census Tracts, in order of priority:

<u>First Priority Level</u>		<u>Second Priority Level</u>	
1)	3.00	1)	4.01
2)	5.00	2)	6.00
3)	1.02	3)	7.00
4)	4.02	4)	8.00
5)	2.00	5)	9.00

This need is for all block groups within these Census Tracts. These are within the heart of the city and near jobs, shopping, transit, and government access. Other Census Tracts, outside the First and Second Priority Levels but within the city limits may be considered, but are not the first priority for property identification and selection.

6) Performance Measures:

An estimated 6-8 units of housing to be acquired, demolished, rehabilitated, or constructed.

7) Total Budget:

The funding allocated to this activity is an estimated \$695,000 for property acquisition, demolition/rehabilitation and sale to new property owners, as appropriate.

8) Responsible Organization:

City of Las Cruces
Community Development Department
Neighborhood Services Section
Direct Contact: David Dollahon, Neighborhood Services Administrator
City Manager: Terrence R. Moore
Dept. Director: David Weir, Community Development Director
Program Manager: Jerold Nachison, Housing Development Coordinator

Location: City of Las Cruces, 575 S. Alameda Blvd, room 147
Las Cruces, NM 88005

Mailing Address: City of Las Cruces, PO Box 20000
Las Cruces, NM 88004

Phone and emails: David Dollahon
575-528-3060 (direct line)
575-642-4053 (work cell)
ddollahon@las-cruces.org

Jerold (Jerry) Nachison
575-528-3208 (direct line)
jnachison@las-cruces.org

TTY: 575-528-3157

9) Projected Start Date: January 15, 2009

10) Projected End Date: September 14, 2010

11) Specific Activity Requirements:

- a) At the time of a purchase offer to an owner, properties must have an appraisal no more than 60 days old.
- b) Value at time of offer acceptance of all properties to be purchased by the developer **MUST** be 10% below actual market value. Exceptions may be granted below or above this amount provided all properties in the aggregate are acquired at or below 10% of market value.
- c) The properties may be sold at a price less than the funds invested in purchase and improvement per G-3 following or turned over to the developer, per G-2(a), above. All developer certifications applicable under the CDBG regulations at 24 CFR 570, Subpart K and appropriate City and State guidelines must be submitted by the sellers.
- d) Interest rates for this activity would be between 0% and 7.5%

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ACTIVITY #1 (Mortgage Finance Authority)

(1) Activity Name: - Financing Option

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers.	24 CFR 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) relocation, (n) direct homeownership assistance, 24 CFR 570.202 rehabilitation and preservation including housing counseling for those seeking to take part in the activity.

(3) National Objective: All activities will meet the national objective of benefiting low, moderate and middle income persons, i.e., ≤ 120% of area median income.

(4) Activity Description: Under the NSP Financing Option, the MFA will make approximately \$2,638,721 available to MFA Participating Lenders to provide first mortgage financing for the purchase or retention of foreclosed and abandoned homes in New Mexico. Loans originated under this program will need to meet the following requirements:

- a) Eligible Properties – Residential foreclosed property. [A foreclosed property is one under state or local law, the mortgage or tax foreclosure is complete.] HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with New Mexico law.
 - Single family and rental properties are permitted, which includes modular construction.
 - Manufactured or mobile homes are permitted. All manufactured housing must meet the property standards at §92.251(a)(4), which states that the construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards. They must be mounted on a permanent foundation.
- b) Maximum Loan to Value – 100% of the lower of the sales price or the appraised value.
- c) Interest Rate - 1% for persons at or below 50% of AMI, 3% for persons at 51% to 80% of AMI, 5% for persons at or below MFA’s standard income limits of 120% of AMI
- d) Term – 30 years
- e) Property Standards – the home must meet FHA Mortgage Property Standards. Even though the loan will not be insured by FHA, the lender must order an FHA Appraisal to determine whether the property meets those standards.
- f) The NSP Purchase Price Limit – the Purchase Price Limit is based upon MFA’s Mortgage Saver Program. The purchase price of a home under this program may not exceed \$237,031 for all counties.
- g) Income Requirement – The Total Annual Family Income may not exceed 120% of HUD’s Area Median Income. Income is to be determined in accordance with MFA’s standard program definition of “Annual Family Income”.
- h) Residence Requirement – The home must be an owner-occupied home located in New Mexico and must be the principal residence of the Borrower(s).

- i) Three Year Requirement – The Three Year Requirement does apply to this program.
- j) Credit Guidelines – FHA Mortgage Loan Credit standards, subject to revision by MFA. Guidelines may be revised to conform to market conditions.
- k) Servicing – The servicing of all loans will be by MFA.
- l) Homebuyer Education. Homebuyers receiving funding through the NSP Financing Option Program will be required to take at least 8 hours of counseling prior to purchase
- m) Loan Documentation - MFA will determine the form of documentation upon approval of this Plan.
- n) Lead Based Paint Notice – This form will be required to be given to all Mortgagor(s) purchasing a home that was built prior to 1978.
- o) Affordability Requirements – The loans will have an affordability period of 30 years. If at any point during that first 30 years, the homebuyer should sell the property or cease to occupy the property as their principal residence the NSP Note will be called due and payable. If the borrower receives a rehabilitation grant, the affordability period will be based upon the amount of grant funding received. If the first mortgage loan is called due and payable the grant funds are repayable.
- p) Environmental Review – According to Notice CPD-01-11 issued July 17, 2001, HUD has determined that certain categorically excluded activities would not alter any conditions that would require an environmental review or compliance determination under Federal laws and authorities cited in 24CFR 58.5. Examples of activities that are categorical exclusions not subject to §58.5 include activities to assist homebuyer to purchase existing dwelling units or dwelling units under construction, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of title. As the NSP funds will be used as a first mortgage financing option, it has been determined these properties will be categorically excluded and not subject to §58.5 authorities.
- q) Davis Bacon – Not applicable, no construction financing.
- r) Flood Insurance – Flood Insurance will be required on properties located in a FEMA designated 100-year flood plain.

(5) Location Description: Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will encompass the entire state. Specific sites will not be known until recipients are selected and properties are identified.

(6) Performance Measures - According to the HMDA data for 2007, the median loan amount for a home purchase in New Mexico is \$149,000. Using that estimate, we hope to be able to finance 23 homes. The estimated income levels of households benefiting are: ≤ 50% AMI 4 units, 51% to 80% 10 units, 81% to 120% 9 units.

(7) Total Budget: \$2,638,721 - NSP funds. Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LIMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible sub recipient projects.

(8) Responsible Organization:

New Mexico Mortgage Finance Authority,
344 4th St. SW
Albuquerque, NM 87102,

Debbie Davis, Programs and Initiatives Manager,
(505) 843-6880, fax (505) 243-3289,
ddavis@housingnm.org

(9) Projected Start Date: February 1, 2009 (anticipated)

(10) Projected End Date: June 30, 2010 (All NSP monies must be allocated to a specific property by this date. The program will continue beyond June 30, 2010 through the use of program income.)

(11) Specific Activity Requirements: All purchases must be voluntary transactions and of vacant properties. Given the limited timeline to obligate the NSP funds, permanent displacement of individuals will not be allowed.

For acquisition activities, include:

- discount rate – not applicable

For financing activities, include:

- range of interest rates
 - 50% or less AMI one percent (1%)
 - 51% to 80% AMI three percent (3%)
 - 81% to 120% AMI five percent (5%)

For housing related activities, include:

- Term of assistance - 30 year mortgage;
- Tenure of beneficiaries - homeownership;
- Continued affordability – A 30 year mortgage will be placed on all properties. The acquisition cost of the home will be 100% recaptured through the repayment of the loan either through normal amortization of the principal and interest or by full payment of the loan principal at the time the home is sold, transferred or ceases to be the principal residence of the mortgagor. rehabilitation grant, the affordability period will be based upon the amount of grant funding received. If the first mortgage loan is called due and payable the grant funds are repayable. The payment of principal and interest becomes program income to the MFA NSP Program and will be recycled for NSP eligible activities.

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ACTIVITY #2 (Mortgage Finance Authority)

(1) Activity Name: Purchase and Rehabilitate Homes

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
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 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) relocation, (n) direct homeownership assistance (as modified), 24 CFR 570.202 rehabilitation and preservation activities for homes and other residential properties. Rehabilitation may include housing counseling for those seeking to take part in the activity.

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice, i.e., ≤ 120% of area median income.

(4) Activity Description: The activity will allow foreclosed multi-family properties and single family homes to be purchased and rehabilitated. All housing and residential properties purchased and rehabilitated with NSP funds must either be rented to or purchased by individuals or families with incomes less than or equal to 120% of the area median income where the property is located. Rental properties will have rent limitations on the units.

MFA anticipates a wide range of projects being funded under this activity. NSP funds may be used to purchase abandoned or foreclosed properties, provide rehabilitation and subsequently be sold to low to middle income purchasers. MFA and/or recipients may acquire, rehabilitate and rent the housing to lower income families or special needs populations that are in need of service enriched housing. The NSP resources also provide the opportunity for the development of land trusts. The land trust model ensures continued affordability for low, moderate and middle income families.

(5) Location Description: Specific sites will not be known until properties are identified. Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated above will take priority, but this activity can encompass the entire state depending on where the need is after the priority counties have been helped.

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as "greatest need" areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible projects.

(6) Performance Measures: It is anticipated that 29 abandoned or foreclosed homes will be purchased with NSP funds and 16 of these properties will provide housing opportunities for individuals and families with incomes below 50% area median income. The remaining 13 households will have incomes between 51% - 120% of median.

(7) Total Budget: \$3,225,103 of NSP resources is targeted to this activity.

(8) Responsible Organization:

New Mexico Mortgage Finance Authority,
344 4th St. SW
Albuquerque, NM 87102,

Debbie Davis, Programs and Initiatives Manager,
(505) 843-6880, fax (505) 243-3289,
ddavis@housingnm.org

Potential sub-recipients in the balance of the state of New Mexico have not been identified but will likely be governmental entities, community based development organizations, community development corporations and other non-profit entities.

(9) Projected Start Date: February 1, 2009.

(10) Projected End Date: January 31, 2013.

(11) Specific Activity Requirements:

- NSP rental assisted units must meet the rent, income and affordability requirements for a period of 20 years. A restrictive covenant will be recorded to assure compliance with this requirement.
- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by MFA. In no circumstance can a discount be less than 5%.
- Eight hours of housing counseling assistance will be required of all homebuyers.
- NSP resources will be provided in the form of a non-amortizing grant.
- Priority to purchase FHA foreclosed properties is encouraged.
- All purchases must be voluntary transactions. Displacement of individuals is not allowed. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.
- Any sale of property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such property.

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ACTIVITY #3 (Mortgage Finance Authority)

(1) Activity Name: Establish Land Banks

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
Establish land banks for homes that have been foreclosed upon.	24 CFR 570.201 (a) Acquisition, (b) Disposition (includes maintenance)

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice, i.e., $\leq 120\%$ of area median income or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

(4) Activity Description: A land bank will operate in a specific, defined geographic area. It will purchase foreclosed upon properties for the purpose of creating land banks to assemble, temporarily manage, facilitate redevelopment of, market, and dispose of the land banked property. The purpose is to stabilize neighborhoods and encourage re-use or redevelopment of property. Land banking may include properties with or without structures, as long as they are foreclosed upon. The benefits of just holding property may not be sufficient to stabilize most neighborhoods or be the best use of limited NSP funds absent a re-use plan. A land bank may not hold a property for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements.

(5) Location Description: Specific sites will not be known until properties are identified. Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will encompass the entire state.

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as "greatest need" areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible sub-recipient projects.

(6) Performance Measures: It is anticipated that 5 abandoned or foreclosed upon properties could be purchased around the state. All properties must be redeveloped within 10 years in accordance with NSP regulations.

(7) Total Budget: \$437,500 of NSP resources is targeted to this activity.

(8) Responsible Organization:

New Mexico Mortgage Finance Authority,
344 4th St. SW
Albuquerque, NM 87102,

Debbie Davis, Programs and Initiatives Manager,
(505) 843-6880, fax (505) 243-3289,
ddavis@housingnm.org

(9) Projected Start Date: February 1, 2009.

(10) Projected End Date: January 31, 2019.

(11) Specific Activity Requirements:

- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by MFA. In no circumstance can a discount be less than 5%.
- NSP resources will be provided in the form of a zero percent non-amortizing loan due on sale. Deed restriction will require a future redevelopment within 10 years that meets NSP requirements.
- Applicants must submit a plan to maintain property until time of redevelopment and submit a plan outlining future development which will meet the requirements of NSP.
- All purchases must be voluntary transactions. Displacement of individuals is not allowed. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.

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ACTIVITY #4 (Mortgage Finance Authority)

(1) Activity Name: Redevelop Demolished or Vacant Properties

(2) Activity Type:

NSP Eligible Use	CDBG Eligible Use
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 (as modified below). 24 CFR 570.204 Community based development organizations.

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice, i.e., $\leq 120\%$ of area median income) or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income.

(4) Activity Description: The main purpose of the NSP program is to redevelop abandoned and foreclosed homes. Public facilities are permitted under eligible activity to the extent that they support housing. Although commercial redevelopment is not an ineligible use of funds, it is not the intent of the program. Therefore, commercial redevelopment will not be an eligible use of MFA's NSP funds unless pre-approved.

MFA sees this activity as a type of redevelopment that would provide benefit to the surrounding neighborhood and stabilize the area. For example, a vacant property could be turned into a neighborhood park.

(5) Location Description: Specific sites will not be known until properties are identified. Foreclosed upon and abandoned properties located within one of the counties with the greatest need as indicated will take priority, but this activity will encompass the entire state.

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as "greatest need" areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible sub-recipient projects.

(6) Performance Measures: Unknown at the present but MFA anticipates up to three types of redevelopments might be assisted with NSP funds.

(7) Total Budget: \$157,500 of NSP resources is targeted to this activity.

(8) Responsible Organization: New Mexico Mortgage Finance Authority, 344 4th St. SW, Albuquerque, NM 87102, Debbie Davis, Programs and Initiatives Manager, (505) 843-6880, fax (505) 243-3289, ddavis@housingnm.org.

(9) Projected Start Date: February 1, 2009.

(10) Projected End Date: January 31, 2013.

(11) Specific Activity Requirements:

- NSP funds will be provided in the form of a grant.
- Applicants must submit a plan to maintain property until time of redevelopment and submit a plan outlining future development which will meet the requirements of NSP.

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NSP Substantial Amendment Checklist

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

Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): <u>State of New Mexico</u> Lead Agency Jurisdiction Web Address: http://cdbg.ndfa.state.nm.us (URL where NSP Substantial Amendment materials are posted)	NSP Contact Person: Dolores Gonzales Address: Bataan Memorial Bldg. 202, Santa Fe, NM 87501 Telephone: 505-827-4972 Fax: 505-827-4948 Email: Dolores.Gonzales2@State.nm.us
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. AREAS OF GREATEST NEED

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

Yes No Verification found on page 2,3,4.

B. DISTRIBUTION AND USES OF FUNDS

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

Yes No Verification found on page 5,6,7,8,9,10,11,.

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

C. DEFINITIONS AND DESCRIPTIONS

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

- a definition of "blighted structure" in the context of state or local law,
 Yes No Verification found on page 15.
- a definition of "affordable rents,"
 Yes No Verification found on page 15,16.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,
 Yes No Verification found on page 16,17.

- a description of housing rehabilitation standards that will apply to NSP assisted activities?
Yes No . Verification found on page 17.

D. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page 17.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page 18.
Amount budgeted = \$5,084,220.

E. ACQUISITIONS & RELOCATION

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes No . (If no, continue to next heading)
Verification found on page 19.

If so, does the substantial amendment include:

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

F. PUBLIC COMMENT PERIOD

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

Yes No . Verification found on page Exhibit A.

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

Yes No . Verification found on page 19,20,21.

G. INFORMATION BY ACTIVITY

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

- eligible use of funds under NSP,
Yes No . Verification found on page 22-48.
- correlated eligible activity under CDBG,
Yes No . Verification found on page 22-48.
- the areas of greatest need addressed by the activity or activities,
Yes No . Verification found on page 22-48.
- expected benefit to income-qualified persons or households or areas,
Yes No . Verification found on page 22-48.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page 22-48.
- appropriate performance measures for the activity,
Yes No . Verification found on page 22-48.
- amount of funds budgeted for the activity,
Yes No . Verification found on page 22-48.
- the name, location and contact information for the entity that will carry out the activity,
Yes No . Verification found on page 22-48.
- expected start and end dates of the activity?
Yes No . Verification found on page 22-48.
- If the activity includes acquisition of real property, the discount required for acquisition of foreclosed upon properties,
Yes No . Verification found on page 22-48.
- If the activity provides financing, the range of interest rates (if any),
Yes No . Verification found on page 22-48.
- If the activity provides housing, duration or term of assistance,
Yes No . Verification found on page 22-48.
- tenure of beneficiaries (e.g., rental or homeownership),

- Yes No . Verification found on page 22-48.
- does it ensure continued affordability?
Yes No . Verification found on page 22-48.

H. CERTIFICATIONS (SEE EXHIBIT B)

The following certifications are complete and accurate:

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

I. SF-424: (See Exhibit C)

