

# **THE NSP SUBSTANTIAL AMENDMENT**

Jurisdiction: State of Indiana Indiana Housing and Community Development Authority  Web Address for NSP Amendment: <a href="http://www.in.gov/ihcda/3118.htm">http://www.in.gov/ihcda/3118.htm</a>  Jurisdiction Web Address: <a href="http://www.in.gov/ihcda">www.in.gov/ihcda</a>	NSP Contact Person: Peter Hunt Address: 30 S. Meridian Street, Ste. 1000 Indianapolis, IN 46204 Telephone: 317-233-1812 Fax: 317-232-7778 Email: PHunt@ihcda.in.gov
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This document is a substantial amendment to the State of Indiana's Consolidated Plan. This amendment outlines the expected distribution and use of \$83,757,048 through the newly created Neighborhood Stabilization Program (NSP), which is administered by the U.S. Department of Housing and Urban Development. The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 (HERA) to provide for those areas disproportionately affected by foreclosures, blight and abandonment.

The Indiana Housing and Community Development Authority (IHCDA) will invest the NSP funds on behalf of the State of Indiana.

## **A. AREAS OF GREATEST NEED**

Since 1999, the foreclosure rate in Indiana has exceeded the national rate. From 2000-2007 Indiana's foreclosure rate ranked first or second in the country. Consequently, foreclosures are a persistent problem in Indiana unlike the recent phenomenon in coastal markets where the housing bubble burst in response to declining home values.

In determining the areas of greatest need, the Indiana Housing and Community Development Authority (IHCDA) has identified two primary markets: 1) Revitalization Markets; and 2) Stabilization Markets. Both require unique approaches to mitigating or reversing the negative impacts of foreclosures and abandoned housing.

Revitalization Markets have experienced significant disinvestment. They are characterized by deteriorating housing stock, declining property values, escalating crime, and underperforming schools. Traditional market forces are not working in these areas, nor are they likely to be re-established soon. Therefore, the goal in these markets should be to marshal resources and to deploy comprehensive strategies in a concentrated footprint that will serve as a catalyst for additional investment. The demolition of blighted structures, the rehabilitation of housing units, and the creation of new uses such as recreational amenities, retail and employment centers can serve as a tipping point for future development by market forces.

Stabilization Markets are mostly found in the suburbs and exurbs of metropolitan regions as well as economic centers of rural communities. These markets have high

homeownership rates, moderate home values, and relatively low vacancy rates. In many cases, the real estate market is not quite strong enough to respond to scattered but conspicuous problems and the images of the neighborhoods suffer accordingly, exaggerating the initial problem. With market-driven incentives, these neighborhoods can build off their strengths to become stable. Without intervention in the real estate market in these communities, the ripple effect of seemingly isolated foreclosures will quickly result in widespread disinvestment.

The State of Indiana has identified areas of greatest need, with the assistance of the Indiana University Center for Urban Policy and the Environment, using a combination of HUD-provided data and proprietary data available to IHCDA.

Every census block group in the state was evaluated for its qualification as a low-, moderate-, or middle-income area. That is, a census block group was considered an eligible area if more than 51 percent of the people in the area had incomes less than or equal to 120 percent of Area Median Income in 2000. Concentration of need was teased out of the qualifying areas of benefit by identifying census block groups in the top 50 percent of need, as determined by the following six measures.

Calculating the six measures:

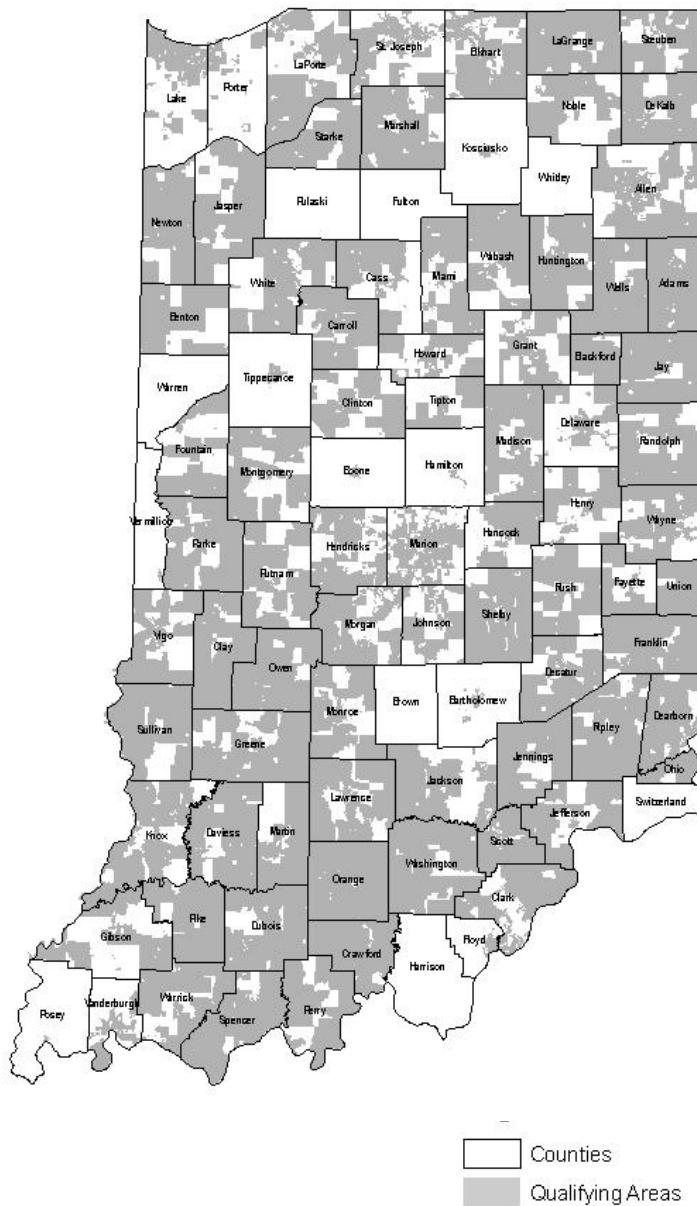
- ❖ Areas with an estimated foreclosure risk score (computed by HUD) greater than six (out of ten) were determined as being in need;
- ❖ Areas with an 18-month underlying problem foreclosure rate (predicted by HUD) were determined as being in need;
- ❖ Areas with a high rate of high cost loans as a percentage of all loans made between 2004 and 2006 were determined as being in need, as determined from the Home Mortgage Disclosure Act reports;
- ❖ Areas with the highest concentration of residential addresses identified as being vacant for 90 days or longer by the United States Postal Service were determined as being in need;
- ❖ Areas with the highest rates of foreclosure from 2002-2006, as reported by foreclosure.com, were determined as being in need. These data were collected at the zip code level and the weighted average of the rates were assigned to census block groups;
- ❖ Areas with the highest concentration of Fannie Mae and Freddie Mac pre-foreclosures, foreclosures, and bankruptcies were determined as being in need. These data were collected at the zip code level and the weighted average of the rates were assigned to census block groups.

Block groups that scored in the top 50 percent for at least four of the six measures analyzed were selected as areas of greatest need. The selection criteria eliminated 35% of the census block groups in the state. At the county level, areas of greatest need account for less than 50% of the geographic area in 32 counties. Because the majority of eligible

block groups are in rural areas (less densely populated), approximately 37% of the households in Indiana resides in those communities. Stated differently, the geographic reach is more extensive than the population with whom NSP funds will be targeted.

These areas of the State found to be of greatest need are displayed in the following map. The map and an accompanying table outlining all eligible jurisdictions may be found at <http://www.in.gov/ihcda/3118.htm>.

### Indiana NSP Areas of Greatest Need



## NSP Qualified Areas of Greatest Need

<b>Adams County</b>	<b>Clay County</b>	<b>Delaware County</b>
Berne	Brazil	Albany
Decatur	Clay City	Chesterfield
Other*	Harmony	Daleville
	Knightsville	Eaton
<b>Allen County</b>	<b>Clinton County</b>	<b>Muncie</b>
Fort Wayne	Frankfort	Yorktown
Monroeville	Kirklin	Other*
New Haven	Other*	<b>Dubois County</b>
Other*		Huntingburg
<b>Bartholomew County</b>	<b>Crawford</b>	Other*
Columbus	English	<b>Elkhart County</b>
<b>Benton County</b>	Marengo	Elkhart
Boswell	Milltown	Goshen
Fowler	Other*	Nappanee
Other*		Other*
<b>Blackford County</b>	<b>Daviess County</b>	<b>Fayette County</b>
Dunkirk	Elnora	Connersville
Hartford City	Washington	Other*
Montpelier	Other*	<b>Floyd County</b>
Other*		New Albany
<b>Boone County</b>	<b>Dearborn County</b>	<b>Fountain County</b>
Lebanon	Aurora	Attica
	Greendale	Hillsboro
	Lawrenceburg	Mellott
	Other*	Newtown
<b>Carroll County</b>	<b>Decatur County</b>	Veedersburg
Delphi	Greensburg	Other*
Flora	Other*	<b>Franklin County</b>
Other*		Laurel
<b>Cass County</b>	<b>DeKalb County</b>	Other*
Logansport	Altona	<b>Gibson County</b>
Walton	Ashley	Princeton
Other*	Auburn	Other*
<b>Clark County</b>	Butler	<b>Gibson County</b>
Charlestown	Corunna	Princeton
Clarksville	Garrett	Other*
Jeffersonville	Hamilton	
Other*	Waterloo	
	Other*	

\* Other eligible unincorporated areas

## NSP Qualified Areas of Greatest Need

<b>Grant County</b>	<b>Huntington County</b>	<b>LaGrange County</b>
Fairmount	Andrews	Other*
Fowlerton	Huntington	
Gas City	Mount Etna	<b>Lake County</b>
Jonesboro	Other*	Crown Point
Marion		East Chicago
Other*		Gary
<b>Greene County</b>	<b>Jackson County</b>	Griffith
Bloomfield	Crothersville	Hammond
Jasonville	Seymour	Highland
Linton	Other*	Hobart
Worthington		Lake Station
Other*		Merrillville
<b>Hamilton County</b>	<b>Jasper County</b>	New Chicago
Noblesville	Wheatfield	Whiting
	Other*	Other*
<b>Hancock County</b>	<b>Jay County</b>	<b>LaPorte County</b>
Fortville	Dunkirk	La Porte
Greenfield	Portland	Michigan City
Other*	Other*	Trail Creek
		Other*
<b>Hendricks County</b>	<b>Jennings County</b>	<b>Lawrence County</b>
Brownsburg	North Vernon	Bedford
Plainfield	Other*	Mitchell
Other*		Other*
<b>Henry County</b>	<b>Johnson County</b>	<b>Madison County</b>
Cadiz	Edinburgh	Alexandria
Greensboro	Franklin	Anderson
Kennard	Greenwood	Chesterfield
Knightstown	New Whiteland	Edgewood
Middletown	Whiteland	Elwood
Mooreland	Other*	Ingalls
New Castle		Markleville
Shirley	<b>Knox County</b>	Orestes
Straughn	Bicknell	Other*
Other*	Vincennes	
	Other*	
<b>Howard County</b>	<b>Kosciusko County</b>	
Kokomo	Warsaw	
Other*		

\* Other eligible unincorporated areas

## NSP Qualified Areas of Greatest Need

<b>Marion County</b>	<b>Noble County</b>	<b>Posey County</b>
Beech Grove	Albion	Mt. Vernon
Clermont	Cromwell	
Cumberland	Kendallville	<b>Putnam County</b>
Indianapolis	Ligonier	Greencastle
Lawrence	Rome City	Other*
Southport	Wolcottville	
Speedway	Other*	<b>Randolph County</b>
Warren Park		Albany
	<b>Ohio County</b>	Farmland
<b>Marshall County</b>	Rising Sun	Parker City
Bourbon	Other*	Ridgeville
Plymouth		Union City
Other*		Winchester
	<b>Orange County</b>	Other*
<b>Martin County</b>	French Lick	
Loogootee	Orleans	<b>Ripley County</b>
Other*	Paoli	Holton
	West Baden Springs	Napoleon
	Other*	Osgood
<b>Miami County</b>	<b>Owen County</b>	Other*
Peru	Gosport	
Other*	Spencer	<b>Rush County</b>
	Other*	Rushville
<b>Monroe County</b>	<b>Parke County</b>	Other*
Bloomington	Mecca	
Ellettsville	Rockville	<b>Saint Joseph County</b>
Other*	Other*	Mishawaka
<b>Montgomery County</b>		Roseland
Crawfordsville		South Bend
Other*	<b>Perry County</b>	Other*
	Cannelton	
<b>Morgan County</b>	Tell City	<b>Scott County</b>
Martinsville	Troy	Austin
Mooresville	Other*	Scottsburg
Other*		Other*
<b>Newton County</b>	<b>Pike County</b>	<b>Shelby County</b>
Goodland	Petersburg	Shelbyville
Kentland	Spurgeon	Other*
Other*	Other*	
	<b>Porter County</b>	
	Portage	
	Other*	

\* Other eligible unincorporated areas

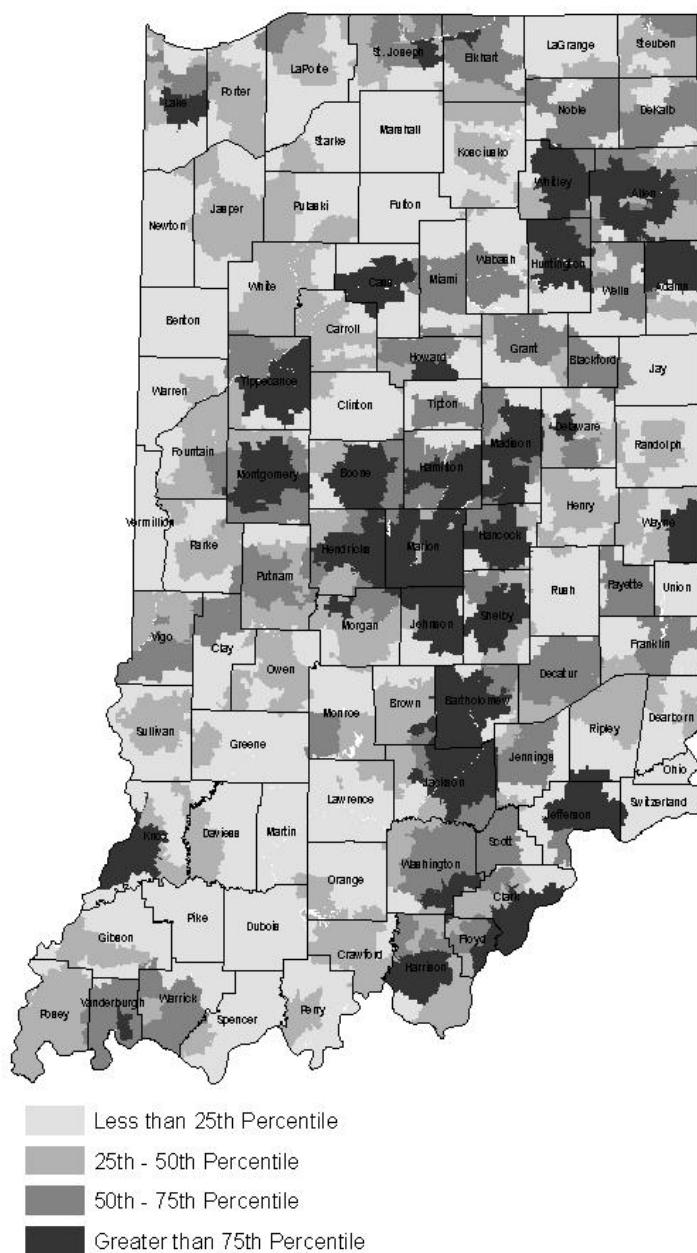
## NSP Qualified Areas of Greatest Need

<b>Spencer County</b>	<b>Vermillion County</b>
Chrisney	Clinton
Gentryville	
Rockport	
Other*	
<b>Starke County</b>	<b>Vigo County</b>
Knox	Terre Haute
North Judson	West Terre Haute
Other*	Other*
<b>Steuben County</b>	<b>Wabash County</b>
Angola	North Manchester
Ashley	Wabash
Clear Lake	Other*
Fremont	
Hamilton	
Hudson	
Other*	
<b>Sullivan County</b>	<b>Warrick County</b>
Farmersburg	Boonville
Hymera	Chandler
Shelburn	Other*
Sullivan	
Other*	
<b>Tippecanoe County</b>	<b>Washington County</b>
Lafayette	Hardinsburg
	Livonia
	Salem
	Saltillo
	Other*
<b>Tipton County</b>	<b>Wayne County</b>
Kempton	Cambridge City
Tipton	Centerville
Windfall City	Dublin
Other*	East Germantown
<b>Union County</b>	Economy
Liberty	Hagerstown
Other*	Milton
<b>Vanderburgh County</b>	Mount Auburn
Evansville	Richmond
Other*	Other*
	<b>Wells County</b>
	Bluffton
	Other*
	<b>White County</b>
	Burnettsville
	Monticello
	Other*

\* Other eligible unincorporated areas

The aforementioned analysis is a supply-side driven model. To gauge the potential demand for housing by income eligible households, IHCDA analyzed the proportion of its single-family loan originations by zip code (see map below). This proxy for market forces suggests what areas are viewed as communities of choice; places close to work, school, or other opportunities. This map correlates with other zip-code level data (foreclosure.com and GSA portfolios) that IHCDA analyzed for targeting areas of greatest need. The map also shows that a significant portion of these funds will be expended in entitlement communities that received a direct NSP award from HUD. As the direct administrator of this activity, IHCDA will ensure that these funds will be committed within the 18 month period required.

## Proportion of IHCDA Single-family Loan Originations by Zip Code



IHCDA has used data sources that are uniform and available across the state to identify areas of greatest need. However, IHCDA recognizes that localities are best positioned to provide data and information regarding the scope and impact of foreclosures on the neighborhood level. Therefore, IHCDA will rely on documentation from a community as to how it would further target NSP funds in the locality's area of greatest need and how its proposed activities best address that need.

#### ***B. DISTRIBUTION AND USES OF FUNDS***

IHCDA proposes distributing the NSP funds through two primary funding strategies, both of which make use of existing funding mechanisms used by IHCDA. They are outlined in greater detail below.

##### Comprehensive Neighborhood Revitalization Fund

IHCDA is committed to bringing to bear all the resources needed to further the comprehensive community development goals of eligible applicant organizations. Accordingly, we will work to leverage NSP funds with any and all resources controlled by IHCDA which are also critical to a project's success, including but not limited to: The Indiana Affordable Housing and Community Development Fund; federal CDBG and HOME funds; and Rental Housing Tax Credits. IHCDA reserves the right to adjust the amounts and sources of any final award to meet IHCDA priorities and NSP program requirements.

##### *Distribution Process*

IHCDA will competitively award \$50 million of the NSP funds to local units of government for comprehensive community revitalization and neighborhood redevelopment in areas of greatest need.

An "Intent to Apply" letter to IHCDA from interested applicants must be postmarked by January 10, 2009 and applications must be postmarked by March 15, 2009. All application materials must be submitted according to IHCDA standards, as further outlined in the IHCDA Neighborhood Stabilization Program Guidelines and Application Kit, found at <http://www.in.gov/ihcda/3118.htm>.

The applications will be reviewed by IHCDA staff, the IHCDA Board of Directors and a panel of outside industry professionals. IHCDA anticipates making award decisions by May 2009.

##### *Selection Criteria*

A competitive process will be used for allocating these resources, which will take into account the following:

- ❖ Neighborhood Revitalization Plan: IHCDA will give priority to localities that identify a targeted revitalization area that clearly deploys comprehensive development strategies designed to address its unique challenges. Localities

should articulate how intellectual, social, and financial capital will be leveraged across all sectors. The long-term physical and financial viability of the proposed redevelopment project is essential. Plans that demonstrate extraordinary innovation in housing and community economic development practices will be given priority.

- ❖ Areas of Greatest Need: (*i.e.* foreclosure concentration in and abandonment risk of the community). IHCDA has used data sources that are uniform and available across the state. Localities should provide data and documentation as to how the target neighborhood was selected as the locality's area of greatest need and how its proposed activities best address that need.
- ❖ Development Team Capacity: IHCDA will assess applications based on the expertise of the local development team. Key factors will include grant administration, readiness to proceed, project completion, and track record on previous state-awarded projects.
- ❖ Housing Opportunity: Given the federal mandate to serve households below 50% AMI, localities will be expected to identify affordable housing solutions that best serve this population (see Section D for more details).

IHCDA anticipates that the amount of funds that may be applied for and may be approved will vary by population and need of area. As guidance for potential applicants, IHCDA recommends that applicants apply for funding amounts commensurate with:

- ❖ Cost of the project
- ❖ Need of the jurisdiction
- ❖ Capacity to carry out the proposed activities in a timely manner

IHCDA reserves the right to reallocate NSP funds in order to award additional funding to high performing grantees or for projects of unforeseen urgent need.

#### *Eligible Activities*

The community comprehensive plans may utilize the NSP funds in any of the following ways:

- ❖ 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
- ❖ 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.
- ❖ Establish land banks for homes that have been foreclosed upon.
- ❖ Demolish blighted structures
- ❖ Redevelop demolished or vacant properties

### *Eligible Applicants*

Local units of government and eligible nonprofits, as noted in the first sentence of 24 CFR 570.500(c), may apply for funds for an area (block groups) within their jurisdiction or service area that is identified as being of greatest need. Only one application for the same geographic area of need will be accepted. Therefore, IHCDA encourages local governments and eligible nonprofits to coordinate their activities in order to eliminate redundancies in their applications.

### Market Stabilization Fund

The State will use approximately \$33.7 million of the available funding as a revolving loan fund that will be made available to income-qualified individuals and families who choose to purchase foreclosed homes in census block groups identified in areas of greatest need. IHCDA will make this funding source available to home buyers who intend to occupy the home themselves. IHCDA will utilize our single-family participating lenders, the Indiana Association of REALTORS, HomeEC certified housing counseling agencies and other partners to provide marketing and outreach to potential eligible homebuyers for this funding. A portion of these funds will be used to deliver the homeownership counseling requirements under the NSP program by HomeEC certified agencies.

### *Eligible Activities*

IHCDA will offer up to \$15,000 (not to exceed 20% of purchase price) to assist homebuyers with the acquisition and/or rehabilitation of a foreclosed residential property. These funds may be used in conjunction with the IHCDA First Home product, FHA, VA, USDA, or prime fixed rate product. No adjustable rate or subprime mortgage products will be allowed for the purchase of these homes.

Home buyers may use these funds for closing costs and down payment assistance related to the purchase of a foreclosed home or residential property that will be used as the primary residence. To be eligible for rehab funds a residential structure must not meet local building code and therefore is unable to be purchased in its present condition. Home buyers may use both acquisition and rehabilitation assistance in the purchase of a home, but the combined assistance may not exceed \$15,000. These funds will be in the form of a zero-interest, non-amortizing, second mortgage loan.

### *Eligible Applicants*

Home buyers must be at or below 120% of area median income to qualify for this assistance.

### *Discount Rate*

IHCDA will coordinate with lenders/servicers, Fannie Mae, Freddie Mac and HUD to list foreclosed properties on a centralized website, [www.indianahousingnow.org](http://www.indianahousingnow.org). Lenders will be required to sell the properties listed on the site at a discount that meets or exceeds NSP guidelines. Current negotiations with several lenders indicate that a 15% discount is a reasonable calculation.

HUD, however, has indicated that offering a discount directly to a home buyer for one of its REO properties outside of FHA's Good Neighbor program may be problematic. If HUD is unable to comply with the NSP discount requirements it has imposed on private lenders, the disposition of a majority of HUD homes in Indiana will be by local units of government and qualified nonprofits as part of a comprehensive neighborhood revitalization plan.

#### *Homeownership Education and Counseling*

In 2005, IHCDA instituted a comprehensive certification process for homeownership education and counseling programs across the state. The certification includes standards for organizations, counselors, and curricula. HUD approved counseling agencies are recognized as HomEC certified agencies. However, not all HomEC agencies and counselors are HUD approved because they do not compete for or necessarily receive HUD funding. IHCDA expects that the 8 hours of pre-purchase homeownership counseling mandated by the NSP guidelines will be conducted by a HomEC or HUD approved counselor and in accordance with HomEC certified standards.

IHCDA anticipates this part of the NSP proposal will assist qualified home buyers in purchasing more than 2,000 previously foreclosed homes in areas of greatest need throughout Indiana.

#### Administrative Funds

The State will share the 10 percent of the NSP funds available for administrative uses as follows: 2 percent shall be retained by IHCDA for administrative and monitoring requirements of the two programs and 8 percent shall be available to grantees of the Comprehensive Neighborhood Revitalization Fund. With the CNRF, it will be possible for project sponsors to receive a reasonable developer fee.

### **C. DEFINITIONS AND DESCRIPTIONS**

The following section describes the State's definitions of significant terms and program requirements for which HUD is mandating a response. NOTE: The first four definitions are HUD-required and the remaining ones are listed alphabetically.

#### 1. Blighted Structure

Indiana Code does not define "blight" or "blighted structure" per se but properties or structures that, for the purposes of NSP, would fit this definition are described in IC 13-11-2-19.3, IC 36-7-1-3, and IC 36-7-9.

These laws broadly define the buildings or structures that are unsafe or contributing to blight as those that are:

- ❖ In impaired structural condition that makes them unsafe to a person or property;
- ❖ A fire hazard;
- ❖ A hazard to public health;
- ❖ A public nuisance;
- ❖ Deteriorated, obsolete, or substandard;
- ❖ Environmentally contaminated or suspected of having hazardous substances;
- ❖ Dangerous to a person or property because of a violation of a statute or ordinance concerning building condition or maintenance;
- ❖ Vacant and not maintained in a manner that would allow human habitation, occupancy, or use under the requirement of a statute or an ordinance.

## 2. Definition of Affordable Rents

IHCDA defines “affordable rents” as those county rent limits released by HUD for the HOME program.

## 3. Continued Affordability

IHCDA intends to utilize the HOME affordability period for all projects associated with the Comprehensive Neighborhood Revitalization Fund.

### **Resale guidelines.**

Resale restrictions shall be implemented for every homebuyer property constructed, redeveloped, or rehabilitated, in whole or in part, with NSP funds in the form of a development subsidy. A development subsidy consists of the difference between the cost of producing the unit and the fair market value of the property. If NSP funds are provided to the homebuyer as a grant, the property will be subject to a resale restriction.

If the homebuyer determines that it no longer intends to use the property as its principal residence, resale restrictions require the homebuyer to sell the property to a low-income family that will use the property as its principal residence.

The original homebuyer is entitled to a fair return on its investment (as described below) upon the sale of the property. The fair return will be based on the percentage change in the Consumer Price Index for All Urban Consumers Owners' Equivalent Rent of Primary Residence category in Table I of the CPI Detailed Report (the “CPI Index”) during the period of the homebuyer’s ownership. Accordingly, the CPI Index during the month the residence was completed (the month during which the completion reports were received by and approved by IHCDA) will be compared to the CPI Index during the month the original homebuyer sells the residence to determine the percentage of the return. The homebuyer’s investment will include any down payment paid by the homebuyer plus any capital improvements. A capital improvement is any property enhancement that increases the overall value of the property, adapts it to new uses, or extends its life such as: adding windows, insulation, a new drive way, a new furnace, a garage, bedroom, new

roof, remodeling kitchen, etc. Any capital improvement will be valued based on actual cost as documented by the original homebuyer's receipts. Generally, replacing worn or dated components such as appliances or carpet would not be considered an improvement that adds value or adapts it to new uses.

At the same time, the property must also be sold at a price that is affordable to low income families between fifty percent (50%) and eighty percent (80%) of the median area income for the geographic area published annually by HUD. The purchasing family should pay no more than twenty-nine percent (29%) of its gross family income towards the principal, interest, taxes and insurance for the property on a monthly basis.

In certain circumstances, such as a declining housing market where home values are depreciating, the original homebuyer may not receive a return on his or her investment because the home sold for less or the same price as the original purchase price and a loss on investment may constitute a fair return.

### **Recapture guidelines.**

Recapture provisions shall be implemented for any homebuyer property purchased, in whole or in part, by a homebuyer that receives a direct subsidy ("homebuyer subsidy") in an amount greater than or equal to One Thousand and 00/100 Dollars (\$1,000) in NSP Funds. A homebuyer subsidy consists of any financial assistance that reduces the purchase price from fair market value to an affordable price, or otherwise directly subsidizes the purchase (e.g., down-payment or closing cost assistance, subordinate financing).

If the homebuyer no longer utilizes the property as its principal residence during the Affordability Period defined below, the amount to be recaptured is the shared net proceeds of a prorated amount of the homebuyer subsidy. The proration shall be based on the length of time the homebuyer has occupied the property as its principal residence in relation to the Affordability Period. Any net proceeds that exist will be shared between IHCDA and the homebuyer. If there are not any proceeds, there is no amount to recapture.

If there is both development subsidy and homebuyer subsidy or just homebuyer subsidy, a recapture provision must be implemented. In cases where a homebuyer subsidy was not provided and there is only a development subsidy, resale restrictions must be executed on the property.

**Market Stabilization Program.** For single-family homes acquired with NSP funds through IHCDA's Market Stabilization Program, IHCDA will take a "soft second" mortgage and any other instruments necessary to secure the note and will require that a lien and restrictive covenant agreement be recorded on all assisted properties. If the homebuyer sells the home within the first five years, the subsidy is repayable to IHCDA on a shared net proceeds basis. If the homebuyer refinances within the first five years, the entire subsidy is repayable to IHCDA. After year 5, the homebuyer will be able to

retain 20% in equity of the award amount per year for the next 5 years. After year 10, the home buyer will not be expected to repay any of the award amount at the time of sale or refinance. IHCDA intends to use the same affordability period for all homebuyers, regardless of subsidy amount or use.

#### **4. Housing Rehabilitation Standards**

All housing activities using NSP funds that involve the construction or rehabilitation of multi-family and single-family dwellings must meet all building codes and standards adopted and enforced by the State of Indiana as well as any local ordinances that exceed State codes and standards.

##### *Energy Efficiency Standards*

All NSP funded housing activities shall be designed to achieve maximum energy efficiency to the extent that this can be accomplished on a cost-effective basis, considering construction and operating costs over the life cycle of the structure. Efficiency may be demonstrated through design based on LEED, Green Globes, Energy Star, and/or other comparable guidelines and rating systems. Historic aesthetic and local sourced materials shall be afforded value in this analysis.

##### *Physical Inspections*

For NSP single-family units financed through the Market Stabilization Fund, inspection will occur prior to rehabilitation (if any) and then immediately following completion of the rehabilitation, prior to closing. All NSP properties funded through the Community Revitalization Fund will be inspected twice during the award period. The first inspection will be at either 50% of funds drawn or half way through the award time frame; whichever occurs first. The second inspection will be conducted upon completion of the construction for the award.

#### **D. LOW INCOME TARGETING**

IHCDA intends to invest \$20.9 million of NSP funds available through the Comprehensive Neighborhood Revitalization Fund in the creation of housing opportunities for households whose incomes do not exceed 50 percent of area median income.

One of IHCDA's strategic objectives is to create 500 new permanent supportive housing units over the next 3 years through the Indiana Permanent Supportive Housing Initiative (IPSHI). The provision of mental health, substance abuse, and employment training services are inextricably linked to the provision of permanent supportive housing. NSP funds provide a unique opportunity to link these services with housing. Unlike other unallowable costs (e.g., maintenance, tenant subsidy, contingency reserves, and deficits), CDBG has a precedent for funding these eligible activities as public services. Since cash-flow from rental projects must be captured as program income, IHCDA proposes that these services should be incorporated into the project pro-forma to reflect the true cost of providing housing to this special needs population.

IHCDA estimates that if eligible communities take advantage of these opportunities, NSP funds will be produce approximately 250 permanent supportive housing units brought online.

IHCDA also encourages eligible applicants to partner with their local Public Housing Authorities to provide additional rental opportunities for low-income individuals with NSP funds.

In total, IHCDA estimates that this \$20.9 million of funding will result in over 350 rental housing units for households at or below 50% AMI.

#### ***E. ACQUISITIONS & RELOCATION***

IHCDA is unable to determine with any certainty at this time how many housing units will be demolished/converted or made available to individuals or families from the \$50 million Comprehensive Neighborhood Revitalization Fund available to communities, as this will depend on the areas and activities throughout the state in which NSP funds will be targeted. However, as stated previously in Section D, through low income targeting, we anticipate in excess of 400 rental housing units being brought online through NSP activities.

IHCDA estimates that, through the \$33.7 million Market Stabilization Fund, in excess of 2,000 homeownership opportunities will be made available to low-, moderate-, and middle-income households.

#### ***F. PUBLIC COMMENT***

This section will provide a summary of public comments received regarding the proposed NSP Substantial Amendment. This section will be added once the document is submitted to HUD.

Persons who would like to comment on this amendment may send those comments to Neighborhood Stabilization Program, Indiana Housing and Community Development Authority, 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204 or [nsp@ihcda.in.gov](mailto:nsp@ihcda.in.gov). Comments must be received by 5:00 p.m. on November 26, 2008.

## **G. NSP INFORMATION BY ACTIVITY**

This section contains the State's summary of each activity anticipated for NSP funds. There is a separate page for each activity. The State intends to provide additional details on these activities once local applications are received and approved.

- (1) **Activity Name:** **Financing Mechanisms**
- (2) **Activity Type:** NSP Activity (A): Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties. CDBG Eligible Activities 24 CFR 570.206 Delivery Costs, 24 CFR 507.201 (n) Direct homeownership assistance.
- (3) **National Objective:** Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice ( $\leq$ 120 percent of area median income).
- (4) **Projected Start Date:** February 13, 2009
- (5) **Projected End Date:** February 13, 2013
- (6) **Responsible Organization:** Indiana Housing and Community Development Authority, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204. Contact: Kim Harris. Phone: 317-232-7777. Fax: 317-232-7778
- (7) **Location Description:** Areas of greatest need.
- (8) **Activity Description:** The State anticipates a substantial share of funds to be directed into this activity, specifically for homeownership. The properties financed will be made available to income-eligible buyers. These properties will be made available at a discount that meets or exceeds NSP guidelines.

- (1) **Activity Name:** **Acquisition and Rehabilitation**
- (2) **Activity Type:** NSP Activity (B); CDBG Eligible Activity 24 CFR 507.201 (a) Acquisition, and (b) Disposition
- (3) **National Objective:** Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income).
- (4) **Projected Start Date:** February 13, 2009
- (5) **Projected End Date:** February 13, 2013
- (6) **Responsible Organization:** Indiana Housing and Community Development Authority, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204. Contact: Cecelia Johnson-Powell. Phone: 317-232-7777. Fax: 317-232-7778
- (7) **Location Description:** To be determined once local applications are approved
- (8) **Activity Description:** While IHCDA currently has significant resources available to homeowners, including the NSP Market Stabilization Fund, a portion of the funds in this activity will be directed to homeownership. A substantial share will be used for the creation of rental housing to help ensure that IHCDA meets the 25% expenditure requirement for households at or below 50% AMI.

All housing activities will be subject to the definitions of affordability outlined in this amendment.

- (1) Activity Name: **Land Banks**
- (2) Activity Type: NSP Activity (C); CDBG Eligible Activity 24 CFR 507.201 (a) Acquisition and (b) Disposition
- (3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income).
- (4) Projected Start Date: February 13, 2009
- (5) Projected End Date: February 13, 2013
- (6) Responsible Organization: Indiana Housing and Community Development Authority, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204. Contact: Cecelia Johnson-Powell. Phone: 317-232-7777. Fax: 317-232-7778
- (7) Location Description: To be determined once local applications are approved
- (8) Activity Description: The State anticipates a very small share of funds to be directed into this activity, primarily for homeownership. The properties acquired will be held until local markets and/or projects are ready to make use of these properties. The properties acquired with these funds will be previously foreclosed upon properties.

All housing activities will be subject to the definitions of affordability outlined in this amendment.

The amount of purchase discount is anticipated to be at or above the five percent rate but more exact discount rates will be determined once local applications are approved.

- (1) Activity Name: **Demolition**
- (2) Activity Type: NSP Activity (D); CDBG Eligible Activity 24 CFR 507.201 (d)  
Clearance for blighted structures only.
- (3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income).
- (4) Projected Start Date: February 13, 2009
- (5) Projected End Date: February 13, 2013
- (6) Responsible Organization: Indiana Housing and Community Development Authority,  
30 S. Meridian, Suite 1000, Indianapolis, IN 46204. Contact: Cecelia Johnson-Powell.  
Phone: 317-232-7777. Fax: 317-232-7778
- (7) Location Description: To be determined once local applications are approved
- (8) Activity Description: The State anticipates a share of funds to be directed into this activity. The properties demolished with these funds will be blighted structures, some of which will be previously foreclosed upon homes.

While not subject to the requirement of one-for-one replacement, the State anticipates a large number (more than several hundred) of housing units may be demolished.

- (1) Activity Name: **New Construction**
- (2) Activity Type: NSP Activity (E); CDBG Eligible Activity Waiver per HUD Notice for NSP
- (3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income).
- (4) Projected Start Date: February 13, 2009
- (5) Projected End Date: February 13, 2013
- (6) Responsible Organization: Indiana Housing and Community Development Authority, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204. Contact: Cecelia Johnson-Powell. Phone: 317-232-7777. Fax: 317-232-7778
- (7) Location Description: To be determined once local applications are approved
- (8) Activity Description: The State anticipates a significant portion of funds to be directed into this activity, primarily for rental properties affordable to households at or below 50 percent area median income. The properties that will be used for new construction activities will be sites on which demolition occurred or vacant properties.

It is anticipated that a majority of the funds in this activity will be used to develop housing opportunities for households at or below 50 percent area median income. IHCDA anticipates making other current resources (Rental Housing Tax Credits, Indiana Affordable Housing and Community Development Fund) available for this activity as well.

All housing activities will be subject to the definitions of affordability outlined in this amendment.

## **H. TOTAL BUDGET**

Below is a summary of the State's expected budget for the use of NSP funds. These numbers are subject to change once local applications are approved by IHCDA.

<b>Activity</b>	<b>Amounts</b>	<b>Percent of Total</b>
Financing Mechanisms	\$33,505,779	40.00%
Acquisition/Rehab	\$11,725,988	12.00%
Land Banks	\$2,512,711	3.00%
Demolition	\$6,700,564	8.00%
Redevelop/New Construction	\$20,939,262	25.00%
Admin Activities	\$8,375,704	10.00%
TOTAL	\$83,757,048	100.00%

## **I. PERFORMANCE MEASURES**

Below is a summary of the State's expected performance measures by activity for NSP funds. These numbers are subject to change once local applications are approved by IHCDA. IHCDA will provide more information on fulfilling these measures as required by the reporting procedures outlined in the HUD Notice.

<b>Activity</b>	<b>Housing Units</b>
Financing Mechanisms	2,000
Acquisition/Rehab	280
Land Banks	40
Demolition	725
Redevelop/New Construction	400
TOTAL	3,445

<b>Activity</b>	<b>Housing Units (&lt;50% AMI)</b>	<b>Housing Units (51-80% AMI)</b>	<b>Housing Units (81-120% AMI)</b>
Financing Mechanisms	0	800	1,200
Acquisition/Rehab	100	130	50
Land Banks	0	25	15
Demolition	0	450	275
Redevelop/New Construction	250	100	50
TOTAL	350	1,505	1,590

### ***J. PUBLIC INPUT***

IHCDA solicited public input informally from a series of industry stakeholders as the substantial amendment was being developed. IHCDA also solicited formal feedback from the general public and income-eligible households through print media and electronic networks of industry stakeholders. Below is a list of solicitation mechanisms utilized by IHCDA.

- ❖ IHCDA Website – 11/10/08 (11:40 pm)
- ❖ IHCDA Info – 11/10/08
- ❖ IHCDA Press Release – 11/11/08
- ❖ Public Notice in Newspapers
  - News-Sentinel – 11/11/08
  - Journal Gazette – 11/11/08
  - Tribune-Star – 11/10/08
  - Kokomo Tribune – 11/11/08
  - Evening News – 11/12/08
  - Indianapolis Newspapers – 11/11/08
  - Palladium-Item – 11/11/08
  - Journal and Courier – 11/10/08
  - Gary Crusader – N/A
  - Evansville Courier Press – N/A
  - South Bend Tribune – N/A
- ❖ Monthly eNewsletter from Indiana Association for Community Economic Development (IACED) – 11/17/08

IHCDA received 80 written comments and dozens of phone inquiries regarding its proposed amendment. Comments ranged from general guidelines and eligibility inquiries to substantive program design recommendations. A summary of the comments is provided on the next page.

<b>Comment</b>	<b>Quantity</b>
Questions regarding program guidelines	6
Questions regarding community eligibility	2
Concerns over how the program will be monitored to mitigate fraud	1
Target funds for the demolition of residences and blighted structures	2
Target funds for the rehabilitation of residences	1
Target funds to avert foreclosure and keep families in their homes	1
Target funds to entitlement communities that are not direct NSP grantees	2
Target funds to non-entitlement communities	3
Target funds to particular communities	58
Target funds to a specific property	3
Permit nonprofit entities to apply in addition to LUGs	6
Contract directly with for-profit developers to carry-out NSP activities	1
Target funds to fully cover cost of NSP homebuyer education mandate	2
Target homebuyer education funds to HomeEC certified agencies	2
Target funds to Habitat for Humanity chapters	1
Target funds for Code Enforcement	1
Target funds to preserve or reuse existing structures instead of demolition	1
Target funds to create a statewide landbank	1
Target funds for technical assistance	2
Target funds to capitalize operating reserves of rental projects	2
Eliminate or increase per unit dollar amount cap of Market Stabilization Fund	2
Permit communities to develop projects in multiple neighborhoods	1
Incent even geographic distribution of income-mix	1
Reduce continued affordability requirement to 10 years	1