



CITY OF CLEVELAND
NEIGHBORHOOD STABILIZATION PROGRAM
AMENDMENT TO FY 2010-2011
COMMUNITY DEVELOPMENT BLOCK GRANT ACTION PLAN

The Neighborhood Stabilization Program has been created by Congress as a special allocation of Community Development Block Grant funds to address the critical problem of foreclosed, abandoned and vacant properties. Neighborhood Stabilization Program resources are being made available by the U.S. Department of Housing and Urban Development (HUD) on a formula basis to cities, counties and states.

HUD has allocated \$6,793,290 directly to the City of Cleveland as part of the third round of funding for the Neighborhood Stabilization Program (NSP3). The funds may be used for the following activities:

- establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
- 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 as housing

All activities must benefit families or communities with incomes under 120% of Areawide Median Income (AMI). 25% of the allocation must be used to create affordable housing for families with incomes of 50% or less of AMI. Up to 10% of the allocation may be used for the costs of administering the program.

The City of Cleveland’s proposed use of its Neighborhood Stabilization Program allocation is as follows:

Activity	NSP Allocation
Multifamily Rental Housing Production	\$2,800,000
Nuisance Abatement – Demolition	\$2,814,290
Housing Renovation Program – Acquire, Rehab, Sell	\$400,000
Land Banking Operations	\$100,000
Program Operation and Overhead	\$679,000
	\$6,793,290

There is a 15 day period for public comment beginning on January 10, 2011. Questions and comments may be directed to:

Michael F. Cosgrove
NSP Manager
Cleveland Department of Community Development
320 City Hall – 601 Lakeside Avenue
Cleveland, Ohio 44114
Email: mcosgrove@city.cleveland.oh.us

A. NSP3 GRANTEE INFORMATION.

NSP3 Program Administrator Contact Information:

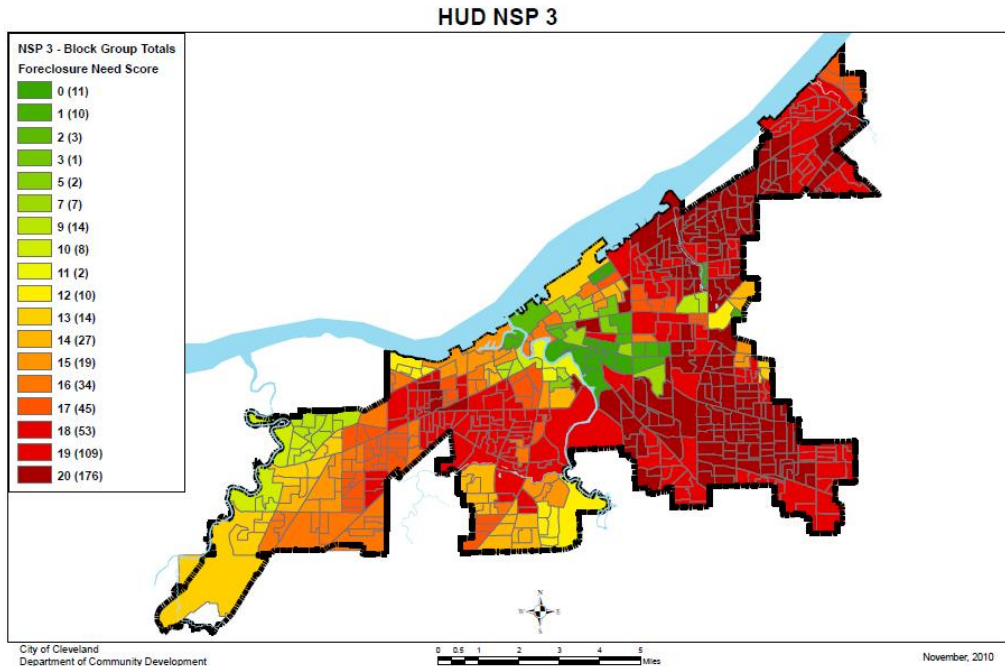
Name: Cosgrove, Michael
Email Address: MCosgrove@city.cleveland.oh.us
Phone Number: (216) 420-7634
Mailing Address: Cleveland Department of Community Development, 320 City Hall, 601 Lakeside Avenue, Cleveland, Ohio 44114

A. AREAS OF GREATEST NEED

The map generated at the HUD NSP3 Mapping Tool for Preparing Action Plan website is included as an attachment. To determine areas of greatest need, the City used the following data sources: HUD Foreclosure Need data and HUD REO impact data, combined with the City's Neighborhood Typology. The process by which the City proposes to target its NSP3 funding is discussed in more detail below.

The City of Cleveland is at the epicenter of a region hard hit by the sub-prime loan and foreclosure crisis. While there are parts of the City that have suffered more disinvestment than others, the HUD foreclosure need scores mapped in Figure A-1 shows that the entire City of Cleveland has significant foreclosure and abandonment risk.

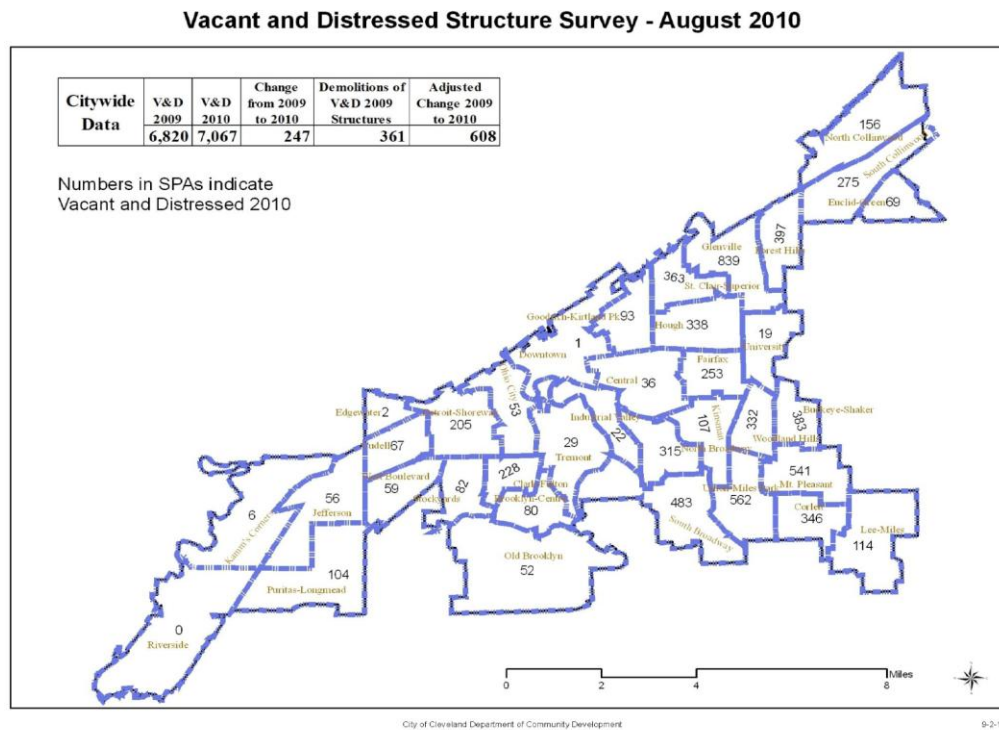
Figure A-1 HUD Data on NSP Need



In addition to the HUD data, Cleveland has undertaken major studies of foreclosure and abandonment. Cleveland has also tracked foreclosure filings since 2006 and developed a neighborhood market typology which provides a snapshot of relative strength of housing market conditions at the census block group level.

Physical Distress/Foreclosure Indicators

The first study of foreclosure and abandonment was an inventory of Vacant and Distressed¹ 1-3 family properties conducted by City staff in August of 2010. The survey identified 7,067 vacant and distressed properties throughout the City. Of these, only 534 properties had construction permits associated with them as of December 2009. Figure A-2 shows a map of the city with the distribution of the vacant and distressed property.



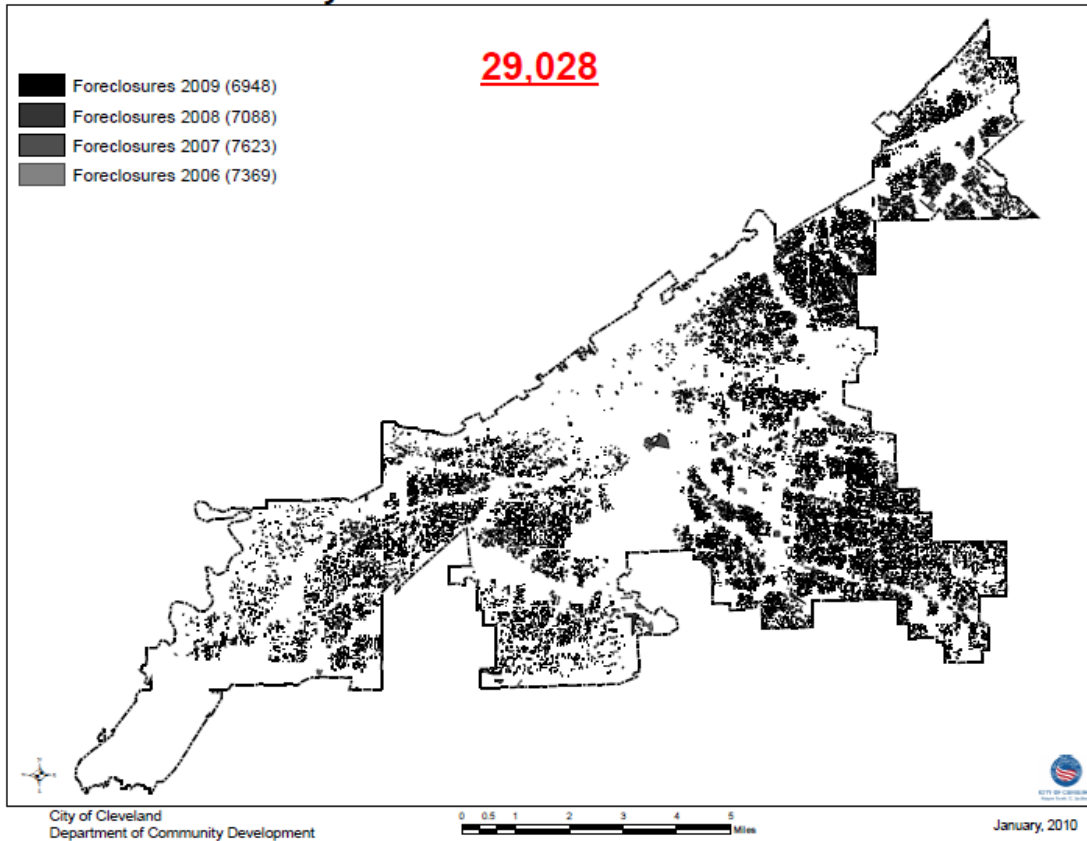
The next review monitored the foreclosure filings in the city of Cleveland from 2006 through 2009. Figure A-3 shows over 29,028 foreclosure filings. All of Cleveland’s residential neighborhoods have seen significant foreclosure activity.

Figure A-3 Cleveland Foreclosures since January 1, 2006

¹ For purposes of the survey, “vacant & distressed” was defined as an entire building with no evidence of occupancy and one of the following conditions exist:

- the house is boarded,
- no major, but a considerable amount of minor defects exist
- the house is “open” and vandalized,
- major defects and damage to structural items exist
- the house is dilapidated,
- there is significant untrimmed vegetation and/or trash, deteriorated walkways, driveways, fencing
- the property is severely overgrown, *and/or*
- the property is the site of much debris or abandoned vehicles.

City of Cleveland - Foreclosures



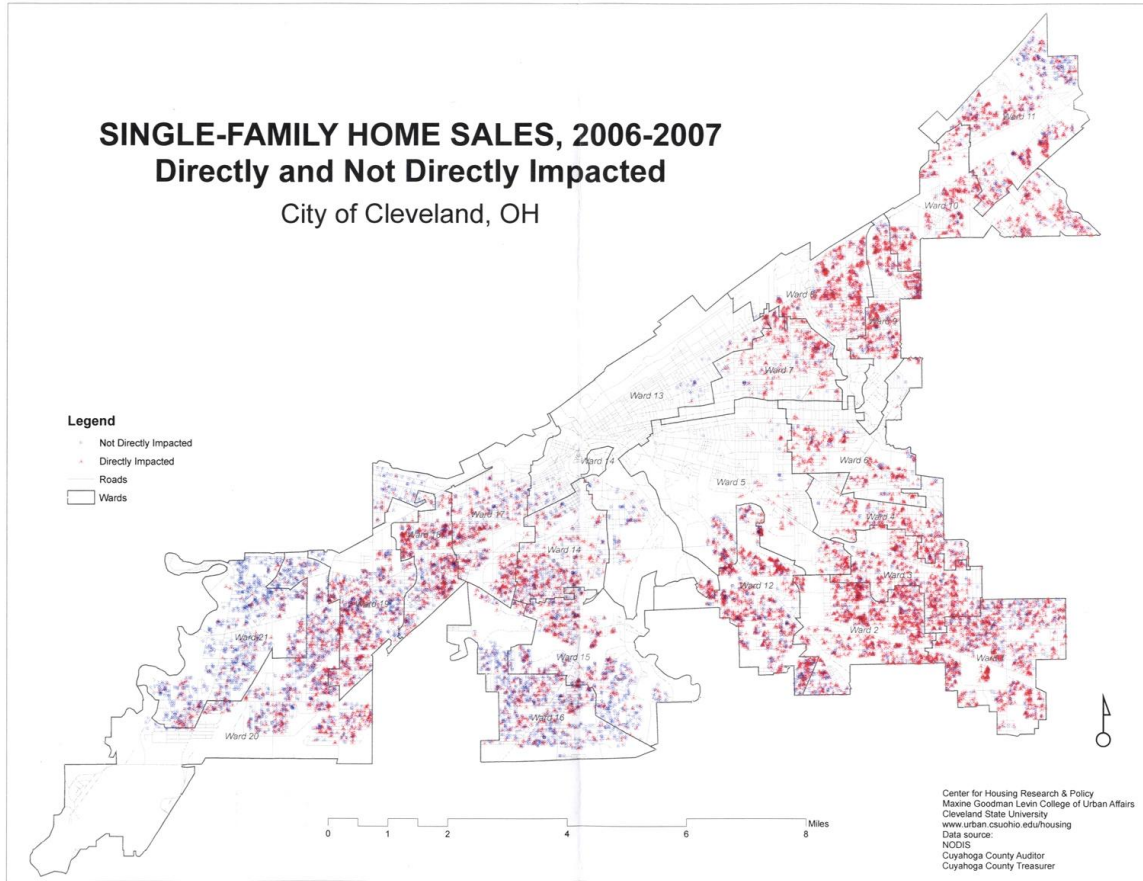
Market Impact Indicators

The general downturn of the regional housing market has been well documented by the local press. Cleveland State University completed a study of housing sales² that looked beyond sales volume and average sale price. The study documents a bifurcated housing market with significantly reduced sales volume in regular arms length transactions. It also found a significant spike in the number of sales transactions that have a foreclosure in their recent history. While housing prices have declined modestly in the general market, housing prices have plunged when the property has been the subject of a recent foreclosure. Cleveland State concludes that the market can only return to balance if a two pronged strategy is implemented – The significant demolition of blighted properties with no serious prospect of reuse, and the support of the stable portions of the housing market which can be sustained after the waning of the crisis.³

² Beyond the Foreclosure Crisis: a Housing Strategy for Cleveland's Future. Center for Housing Research and Policy, Maxine Goodman Levin College of Urban Affairs, Cleveland State University. September, 2008

³ Beyond the Foreclosure Crisis: a Housing Strategy for Cleveland's Future. Center for Housing Research and Policy, Maxine Goodman Levin College of Urban Affairs, Cleveland State University. September, 2008

Figure A-4 Sales Impacted by Foreclosure



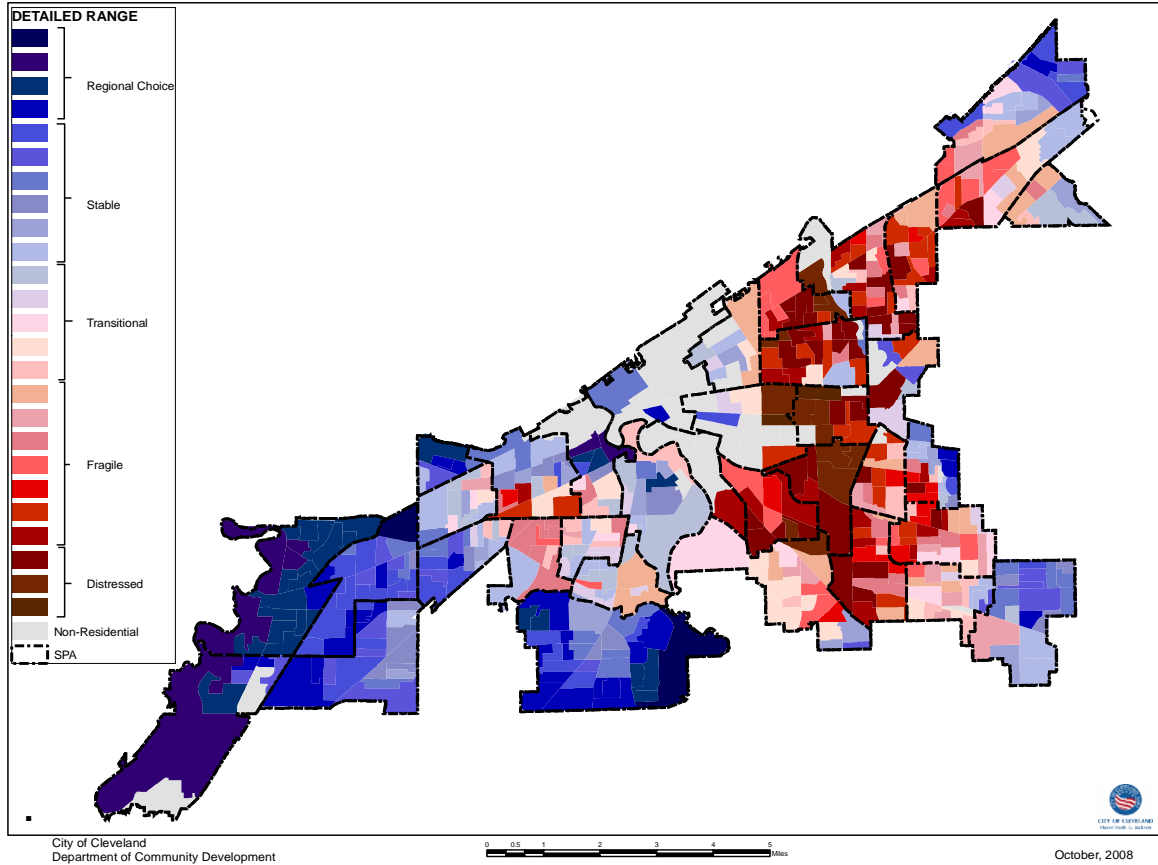
The Cleveland Department of Community Development updated its Neighborhood Market Typology⁴ in October of 2008. While several areas hard hit by foreclosure activity have dropped in their market rating, other areas where the City has implemented its concentrated investment strategy and aggressive blight elimination program have shown signs of market sustainability in this difficult market.⁵

Figure A-5 Cleveland Areas of Market Strength and Weakness

⁴ First Published in April of 2006, the Neighborhood Typology ranks each block group in the City of Cleveland using housing market and housing physical factors. It is used to assess the relative strength of the housing market and with the update in 2008 can identify areas of Cleveland when the market improving or weakening.

⁵ For example, the near downtown communities of Tremont, Central, Ohio City, Hough and Detroit-Shoreway have established anchor projects which have created sustainable housing markets.

Neighborhood Typology



B. DISTRIBUTION AND USES OF FUNDS

Cleveland's investment strategy will rely primarily on existing NSP1 and NSP2 allocations and program income to rehabilitate viable properties. As to the use of NSP3 funds, there are some neighborhood sub-markets in very distressed areas that cannot sustain an investment strategy. The best approach in these areas is to reduce the stock of vacant and distressed properties through a demolition strategy targeting blighted structures, thereby stabilizing the remaining, non-blighted housing stock. For this reason, Cleveland is requesting a waiver of the 10% cap on NSP3 funds for demolition, up to 41% of the total NSP3 allocation (for a total demolition allocation of \$2,814,290). The use of NSP3 funds for demolition of blighted structures will complement the more than \$18 million investment in rehabilitated properties using NSP1 and NSP2 funds.

By overlaying the HUD foreclosure and abandonment risk information with the Cleveland Neighborhood Market Typology, Cleveland has identified areas (i) where significant needs must be addressed, (ii) where need and market potential overlap, (iii) where scattered site rehabilitation will be sustainable and (iv) where Cleveland can create new housing opportunities for very low income households. After review of this overlay, Cleveland proposes targeting resources available through NSP using four major approaches:

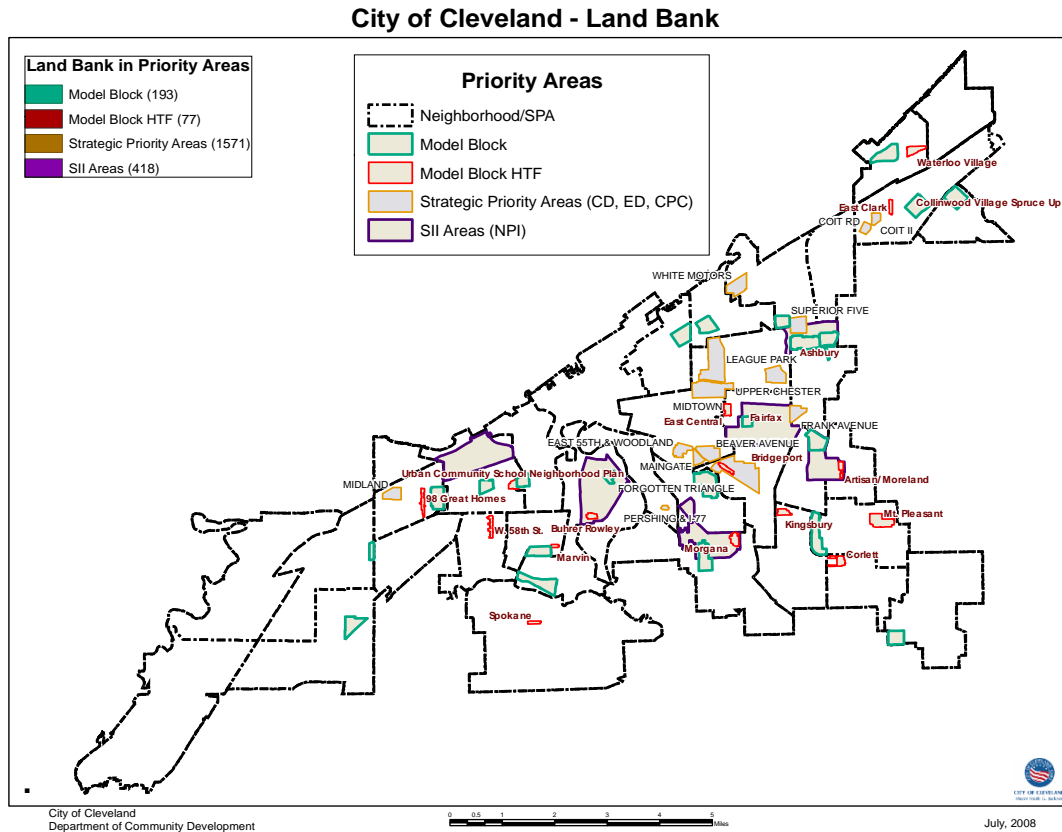
Eliminating Blight in Areas of Greatest Distress through Demolition and Land Banking.

In areas where the HUD foreclosure and abandonment risk is high, but where the neighborhood market typology suggests that the market is too weak, at this time, to create a sustainable homeownership rehabilitation market, Cleveland will concentrate demolition and land banking. The red and brown areas in Figure A-5 show the parts of the city with significant need for blight elimination, but a weak market for rehabilitated homes.

Reviving Markets in Concentrated Investment Areas Through Substantial Rehabilitation, Select Blight Removal and Reuse of Vacant Land.

Cleveland has established 19 model block areas in neighborhoods that the Cleveland Market Typology ranks as Transitional, Fragile and Distressed. These model blocks were selected by Cleveland's non-profit development corporation community based on the model block's proximity to an anchor investment or neighborhood asset and an assessment of the potential for market recovery. Cleveland has been and will continue using NSP1 and NSP2 funds, in combination with HOME, CDBG and LIHTC resources, to rebuild these areas. The areas were selected based on a community review of nearby assets, proximity to an anchor investment and potential to reach untapped housing demand. Figure B-1 shows the areas designated for concentrated investment using these resources.

Figure B-1 Cleveland Concentrated Investment Areas



Stabilizing Sustainable Markets

Using its existing NSP1 and NSP2 allocations, Cleveland is intervening in Stable and Regional Choice markets by encouraging rehabilitation of properties in this environment, providing both development and homebuyer incentives for the purchase, rehabilitation and sale of vacant properties that were the subject of foreclosure action. Some NSP3 funds (\$400,000) are also proposed to be used for the rehabilitation of vacant properties in areas outside NSP2 target areas. The ultimate purchasers of these properties must meet the NSP qualification of an income less than 120% of the median income for the MSA. Demolition funds will be use sparingly to address only those blighted structures that cannot be returned to productive use. Figure A-5 shows these areas in blue.

Expanding Housing Opportunity for Very Low Income Households

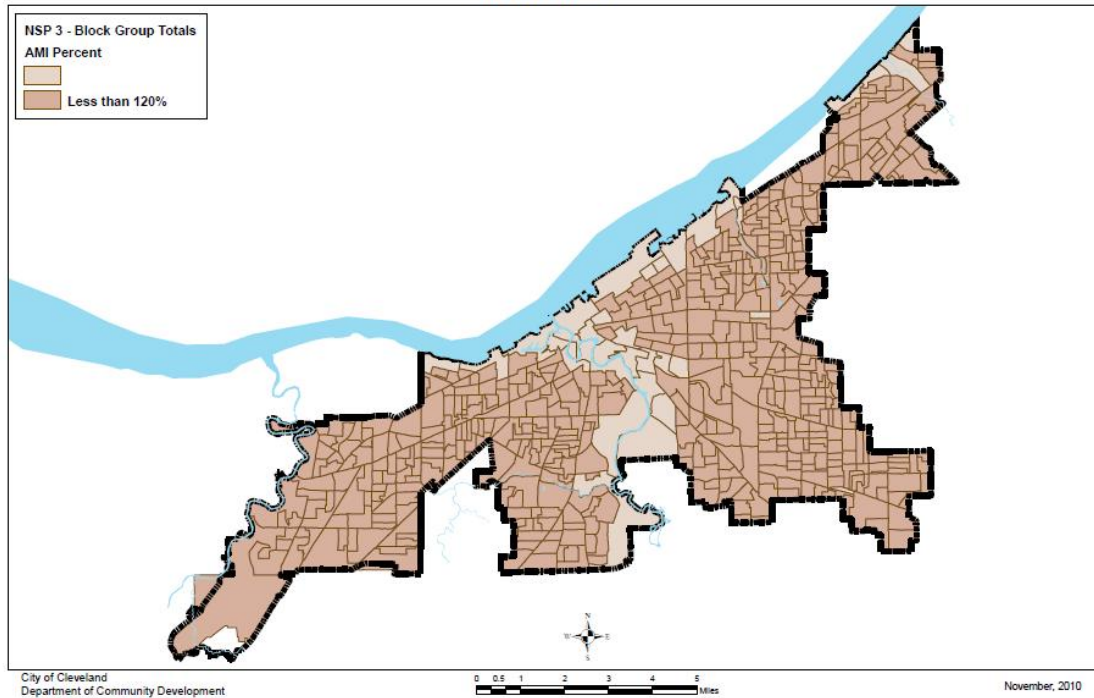
Finally, Cleveland has a development history that concentrated impoverished households in a few core areas. Aggressive use of Section 8 vouchers and a policy of encouraging scattered site lease purchase use of Low Income Housing Tax Credits have mitigated this pattern over the last two decades. Cleveland proposes continuing expanded housing choices for very low income families by targeting its use of its NSP Very Low Income (VLI) funds to communities in the Cleveland typology which have the strongest existing markets – regional choice and stable areas (see blue areas in Figure A-5). In areas with transitional and fragile markets VLI funds will be used as part of the re-investment

strategy that creates mixed income neighborhoods in concentrated investment areas. (See Figure B – 2).

C. DEFINITIONS AND DESCRIPTIONS

Cleveland NSP Eligible Low Moderate and Middle Income Areas (Median Income Below 120% of AMI)

HUD NSP 3



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

Response:

Chapter 324.03 of The Codified Ordinances of the City of Cleveland defines “blighted premises” as follows:

"Blighted premises" shall mean premises which because of their age, obsolescence, dilapidation, deterioration, lack of maintenance or repair or occurrence of drug offenses, prostitution, gambling and other criminal acts which constitute public nuisances at the premises or any combination thereof, including the ineffectiveness of House Code enforcement after lawfully issued citations or violation notices, constitute an apparent fire hazard, place of retreat for immoral and criminal purposes constituting a public nuisance or repeated and serious breaches of the peace, health hazard, public safety hazard or any combination thereof; an unreasonable interference with the reasonable and lawful use and enjoyment of other premises within the neighborhood; or a factor seriously depreciating property values in the neighborhood.

Section 1.08 of The Ohio Revised Code defines “blighted parcel” as follows:

“Blighted parcel” means either of the following:

(1) A parcel that has one or more of the following conditions:

(a) A structure that is dilapidated, unsanitary, unsafe, or vermin infested and that because of its condition has been designated by an agency that is responsible for the enforcement of housing, building, or fire codes as unfit for human habitation or use;

(b) The property poses a direct threat to public health or safety in its present condition by reason of environmentally hazardous conditions, solid waste pollution, or contamination;

(c) Tax or special assessment delinquencies exceeding the fair value of the land that remain unpaid thirty-five days after notice to pay has been mailed.

(2) A parcel that has two or more of the following conditions that, collectively considered, adversely affect surrounding or community property values or entail land use relationships that cannot reasonably be corrected through existing zoning codes or other land use regulations:

(a) Dilapidation and deterioration;

(b) Age and obsolescence;

(c) Inadequate provision for ventilation, light, air, sanitation, or open spaces;

(d) Unsafe and unsanitary conditions;

(e) Hazards that endanger lives or properties by fire or other causes;

(f) Noncompliance with building, housing, or other codes;

(g) Nonworking or disconnected utilities;

(h) Is vacant or contains an abandoned structure;

(i) Excessive dwelling unit density;

(j) Is located in an area of defective or inadequate street layout;

(k) Overcrowding of buildings on the land;

(l) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;

(m) Vermin infestation;

(n) Extensive damage or destruction caused by a major disaster when the damage has not been remediated within a reasonable time;

(o) Identified hazards to health and safety that are conducive to ill health, transmission of disease, juvenile delinquency, or crime;

(p) Ownership or multiple ownership of a single parcel when the owner, or a majority of the owners of a parcel in the case of multiple ownership, cannot be located.

(2) Definition of “affordable rents”

Response:

The City of Cleveland will define “affordable rents” to comply with the limits for the HOME Program, as described in 24 CFR 92.252. Maximum affordable rent limits will be the “High HOME Rent Levels” as adjusted by HUD on an annual basis. For units that are specifically targeted to household whose incomes do not exceed 50% of area median income, the applicable rent limits will be the “Low HOME Rent Levels” as adjusted by HUD on an annual basis. However, if a unit receives a project-based rental subsidy and the household’s contribution towards the rent does not exceed 30% of its adjusted income, the unit will also qualify as affordable.

The 2010 rent limits are as follows:

HOME Rent Limit	Efficiency	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
HIGH	526	608	730	842	940	1037	1134
LOW	526	610	735	942	1001	1151	1301

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

Response:

The City of Cleveland will maintain affordability of NSP assisted rental properties for the periods specified in Section 92.252 of the HOME Program regulations. Affordability requirements will be enforced through restrictive covenants placed on the properties and ongoing monitoring of rents and tenant income levels.

NSP home purchaser affordability will be enforced using the recapture method which will require a second mortgage on all property sold. Cleveland will recapture the face value of the second mortgage upon property transfer or, when the sales price is not sufficient to cover the obligations against the property, the net proceeds upon sale or other transfer. Recaptured proceeds will be used for NSP eligible activities in accordance with Program Income expenditure guidelines.

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

Response:

Housing rehabilitation activity will need to comply with all applicable building and housing codes. In addition, the Department of Community Development has a “General Specifications Standards” manual that describes in extensive details the policies, procedures and contractor performance standards that are required for all rehabilitation activities, including those assisted with NSP funds.

Any gut rehabilitation or new construction of residential buildings up to three stories will be designed to meet the standard for Energy Star Qualified New Homes. Gut rehabilitation or new construction of mid- or high-rise multifamily housing will be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent. All other rehabilitation will meet these standards to the extent applicable to the rehabilitation work undertaken, including the use of Energy Star-46 labeled products, and water-efficient toilets, showers, and faucets.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or

residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income:

Response:

Total low-income set-aside **percentage** (must be no less than 25 percent): 25.02%
Total funds set aside for low-income individuals = \$1,700,000

Meeting Low-Income Target: Provide a summary that describes the manner in which the low-income targeting goals will be met.

Low-income targeting goals will be met by soliciting proposals for low-income rental housing development projects through a Request for Proposal (RFP). Proposals will be evaluated using criteria that maximize the impact towards meeting low-income targeting goals.

E. ACQUISITION & RELOCATION

Does the grantee intend to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income)?

Response:

- The City of Cleveland will only demolish vacant blighted structures that are no longer suitable for habitation. It is estimated that 300 uninhabitable, vacant blighted structures will be demolished. The City does not intend to acquire any low- and moderate-income housing units for conversion to other purposes. It is possible that a rehabilitation project may reduce the density of such units, however. In those cases, the City will follow the one-for-one replacement regulations of the Uniform Act. It is estimated that at least 30 additional rental units will be made available for households whose incomes do not exceed 50 percent of area median income. Additionally, at least 4 units will be made available for households whose incomes do not exceed 120 percent of the area median income.
- The City does not intend to displace any individuals through the use of NSP funds. Should any displacement occur as a result of an NSP project, the City will comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Tenant Protection Act of 2009

G. PUBLIC COMMENT

Briefly describe how the grantee followed its citizen participation plan regarding this proposed substantial amendment or abbreviated plan.

A draft of this substantial amendment was posted to the City’s website and made publicly available on _____. Three public meetings were held to provide the public with an opportunity to comment on the draft substantial amendment.

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

(1) Activity Name: **Rental Housing Development**

(2) Activity Type:

NSP Eligible Use: Redevelop demolished or vacant properties.

CDBG Eligible Activities: Acquisition, housing rehabilitation, new housing construction

(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).

Benefit to individuals whose incomes do not exceed 50% of area median income.

Benefit to individuals whose incomes do not exceed 120% of area median income.

(4) Activity Description:

NSP funds will be made available as gap financing for development of rental or lease-purchase housing that will serve households whose incomes do not exceed 120% of median income. \$1.7 million of this line item will be made available as gap financing for development of rental or lease-purchase housing serving households whose incomes do not exceed 50% of median income.

Eligibility criteria will include:

- Projects must be for the rehabilitation of foreclosed, abandoned or vacant structures or the redevelopment of vacant land.
- Projects must be for single family lease-purchase units or for multifamily rental housing, including permanent supportive housing for persons with disabilities.

Projects having a Low Income Housing Tax Credit allocation and/or an acceptable project-based rental subsidy commitment may receive a preference.

The City will solicit projects that create affordable rental housing through a Request for Proposals.

The City will, to the maximum extent possible, provide for hiring of employees who reside in the vicinity of the projects, or will contract with small business owned and operated by persons residing in the vicinity of the projects. This will be implemented through the Fannie M. Lewis Cleveland Resident Employment Law, for all contracts over \$100,000.00, the City requires that 20% of total workforce hours go to City of Cleveland residents, as well as the policy set forth in Chapter 187 of the Cleveland Codified Ordinances, which requires that Cleveland Area Small Businesses have every practicable opportunity to participate in the performance of contracts awarded by the City by setting goals for subcontractor participation.

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

City-wide

(6) Performance Measures

It is estimated that at least 50 units will be developed, or such amount as may be developed using \$2,800,000 in NSP3 funds. It is estimated that a minimum of 30 of these units will be developed for households below 50% of the area median income, or such amount as may be developed using \$1,700,000 of NSP3 low-income set-aside funds. The remaining 20 of the estimated 50 units will be developed for households below 120% of the area median income.

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

NSP funds budgeted for this activity will be \$2,800,000. This is expected to leverage additional private investment, with the final amount to be determined by the private equity markets over the next year. The City will invest the least amount of public funds needed to complete the project. If sufficient private investment can be leveraged, the number of units produced could be substantially increased.

(8) Responsible Organization:

City of Cleveland

Department of Community Development

320 City Hall

601 Lakeside Avenue

Cleveland, OH 44114

(9) Projected Start Date:

September 2011

(10) Projected End Date:

September 2013

(11) Specific Activity Requirements:

- NSP funds will be loaned to developers with payment terms structured to assure long-term affordability. Payments of principal and interest may be deferred if necessary. Loans may be subordinate to private financing.
- All units will be rental or lease-purchase housing for persons with incomes that do not exceed 120% of area median income.
- All units will comply with the term of affordability requirements of the HOME Program, as specified in Sections 92.252 and 92.255 of the regulation. Affordability will be enforced through a recorded restrictive covenant and ongoing monitoring of rent levels and tenant incomes.

(1) Activity Name: **Nuisance Abatement**

(2) Activity Type:

NSP Eligible Use: Demolish blighted structures

CDBG Eligible Activity: Clearance of blighted structures

(3) National Objective: Area benefit to neighborhoods with a median income not exceeding 120% of area median income.

(4) Activity Description:

NSP funds will be utilized to demolish vacant blighted structures for which rehabilitation is not structurally and/or economically a reasonable alternative. Demolition will be conducted in a manner that supports other neighborhood stabilization strategies in four key ways:

- Aggregating land to be held in the Cleveland land bank establishing site control and creating future development opportunities;
- Taking blighted, uneconomic vacant structures out of the REO inventory to prevent property flipping and related housing activities that take advantage of housing consumers;
- Supporting concentrated re-investment strategies in combination with rehabilitation of homes that can be saved; and
- Supporting the housing market in stable areas by selectively eliminating properties that cannot be rehabilitated.

The City will, to the maximum extent possible, provide for hiring of employees who reside in the vicinity of the demolition projects, or will contract with small business owned and operated by persons residing in the vicinity of the project. This will be implemented through the Fannie M. Lewis Cleveland Resident Employment Law, for all contracts over \$100,000.00, the City requires that 20% of total workforce hours go to City of Cleveland residents, as well as the policy set forth in Chapter 187 of the Cleveland Codified Ordinances, which requires that Cleveland Area Small Businesses have every practicable opportunity to participate in the performance of contracts awarded by the City by setting goals for subcontractor participation.

(5) Location Description:

Demolition activities may occur within the designated NSP eligible areas (median income does not exceed 120% of area median). Concentrated demolition activity will occur in those areas shown on the Neighborhood Typology map in Section A as “Fragile or Distressed”. More selective demolition of blighted structures will be used to support other stabilization efforts in the areas where the housing markets remain potentially viable.

(6) Performance Measures

It is estimated that 300 structures will be demolished.

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

NSP funds budgeted for this activity will be \$2,814,290.

(8) Responsible Organization:

City of Cleveland

Department of Community Development

320 City Hall

601 Lakeside Avenue

Cleveland, OH 44114

(9) Projected Start Date:

June 2011

(10) Projected End Date:

December 2013

(11) Specific Activity Requirements:

- Demolition using NSP funds will only occur in areas where the median income does not exceed 120% of area median
- The cost to demolish privately owned structures will be billed to the owner, with unpaid charges being filed as a tax lien on the property.

(1) Activity Name: **Housing Renovation Program**

(2) Activity Type:

NSP Eligible Use: Establish financing mechanisms for purchase & redevelopment of foreclosed upon homes

CDBG Eligible Activity: Acquisition, housing rehabilitation, homeownership assistance

(3) National Objective: Direct benefit assistance to homebuyers whose incomes do not exceed 120% of area median income

(4) Activity Description:

NSP funds will be made available as gap financing to allow private developers, for profit or non-profit, to acquire and renovate foreclosed or abandoned homes and to sell those homes to families with incomes at or below 120% of area median income. All properties redeveloped will meet Cleveland's "Green criteria" for rehabilitation. Developer loans will be made at no interest for the first six months, followed by a 6% annual interest rate until the sale of the project to a qualifying homebuyer.

The City will, to the maximum extent possible, provide for hiring of employees who reside in the vicinity of the rehabilitation projects, or will contract with small business owned and operated by persons residing in the vicinity of the project. This will be implemented through the Fannie M. Lewis Cleveland Resident Employment Law, for all contracts over \$100,000.00, the City requires that 20% of total workforce hours go to City of Cleveland residents, as well as the policy set forth in Chapter 187 of the Cleveland Codified Ordinances, which requires that Cleveland Area Small Businesses have every practicable opportunity to participate in the performance of contracts awarded by the City by setting goals for subcontractor participation.

(5) Location Description:

Vacant foreclosed properties that are threatening to erode neighborhood stability will be eligible citywide. Given the current weak state of the housing market in the most distressed areas, it is anticipated that this activity will be most effective in addressing those neighborhoods shown on the Housing Typology Map (figure A-5) as moving from "Stable" to "Transitional".

(6) Performance Measures

It is projected that 4 homes will be rehabilitated and sold through this program, with an estimated 75% being purchased by households with incomes between 81% & 120% of area median income and 25% being purchased by households with incomes at or below 80% of area median income.

(7) Total Budget: NSP funds budgeted for this project will be \$400,000, or approximately \$100,000 per house. Total investment per house is estimated at \$175,000, with \$75,000 coming from private financing. Therefore the total program budget will be approximately \$700,000.

(8) Responsible Organization:

City of Cleveland
Department of Community Development
320 City Hall
601 Lakeside Avenue
Cleveland, OH 44114

(9) Projected Start Date:

June 2011

(10) Projected End Date:

December 2013

(11) Specific Activity Requirements:

- The amount of funds granted to the housing developer will not exceed an amount equal to the total of (1) the deferred second mortgage provided to the homebuyer, and (2) the total development cost of the house less the appraised value.
- Developers must acquire each foreclosed property at a discount of at least 1% below appraised value.
- Purchasers must have incomes that do not exceed 120% of area median income and the house be used as their primary residence.
- Purchasers will be provided with a deferred second mortgage equal to 20% of the purchase price of the property.

(1) Activity Name: **Strategic Land Banking Operation**

(2) Activity Type:

NSP Eligible Use: Land Banking.

CDBG Eligible Activity: Acquisition, disposition

(3) National Objective: Area benefit to neighborhoods with a median income not exceeding 120% of area median income.

(4) Activity Description:

NSP funds will be made used for the acquisition and disposition of properties to aggregate properties for productive reuse.

(5) Location Description:

Land banking activities may occur within the designated NSP eligible areas (median income does not exceed 120% of area median).

(6) Performance Measures

It is projected that 5 parcels will be acquired by the City and put to productive use.

(7) Total Budget: \$100,000

(8) Responsible Organization:

City of Cleveland
Department of Community Development
320 City Hall
601 Lakeside Avenue
Cleveland, OH 44114

(9) Projected Start Date:

June 2011

(10) Projected End Date:

December 2013

(11) Specific Activity Requirements:

ADMINISTRATIVE COSTS

In addition to programs described above, the City of Cleveland will allocate \$679,000 for costs related to the administration of the programs funded through the Neighborhood Stabilization Program.

There will be two categories of administrative costs:

1. Building and Housing Strategic Support - \$300,000

Purpose: Supplement the resources of the Building and Housing Department to address key community problems arising from the foreclosure crisis including: (i) heightened support for demolition – bidding, monitoring, title research and interested party notification; (ii) targeting code-enforcement resources towards bulk sales of property; and (iii) enhancing code-enforcement resources in the NSP target areas.

Process:

- City will perform site inspections at demolition sites to make sure that all the debris is removed, check the sewer bulkhead, ensure that clean fill is used to fill the excavation, and verify that the contractor has graded the site and planted grass seed to City specifications.
- City will: (i) maintain program files; (ii) send and receive demolition bids, and (iii) coordinate payments to contractors and billings to property owners.
- City will initiate legal actions. These will include criminal prosecutions, sending information to our collections attorney, and taking action to acquire vacant land if property owners fail to pay for the demolition costs.
- Two residential building inspectors will be dedicated to the inspection of vacant property, particularly the inventories owned by banks and other lending institutions.

2. Program Operation and Overhead - \$379,000

Purpose: The City is proposing to allocate funds from the NSP program to operations and overhead expenses that would be considered “administrative” costs under the legislation. These expenses would primarily be related to personnel who would support the programs funded with the funds. Other costs are related to operating expenses and indirect costs eligible under the regulations. Additional allocations in this category would support marketing, which is an activity of increasing cost to the city as the market contracts. Research and tracking are important to the evaluation of program activities as well as for ascertaining the impact of the fund’s use.

CERTIFICATIONS

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-displacement and relocation plan.** The applicant has in effect and is following a residential anti-displacement and relocation assistance plan.
- (3) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (4) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (5) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (6) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (7) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (8) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (9) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (10) **Use of funds.** The jurisdiction will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.

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

(12) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

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

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

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

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

(17) **Vicinity hiring.** The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of NSP3 funded projects or contract with small business that are owned and operated by persons residing in the vicinity of NSP3 projects.

(18) **Development of affordable rental housing.** The jurisdiction certifies that it will abide by the procedures described in its NSP3 Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.

Signature/Authorized Official

Date

Title

Proposed NSP3 Target Areas

