

NSP3 Substantial Amendment

Jurisdiction: City of Mesa

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A. *Areas of Greatest Need*

For the purpose of the Neighborhood Stabilization Program (NSP3), the City of Mesa has identified the following census tracts and block groups as defining its “area of greatest need” based upon the high percentage of foreclosures, the highest percentage of homes with high cost mortgages, and those likely to face a significant rise in the rate of home foreclosures.

Utilizing the HUD provided dataset, Mesa focused on census tracts and block groups with a foreclosure abandonment risk score of 20 (with 20 being the highest score possible), a foreclosure rate of 20% or higher, and those with an high cost mortgage greater than, or equal to, thirty percent (30%). Therefore, the area of greatest need for Mesa’s Neighborhood Stabilization Program (NSP3) includes the following census tracts and block groups:

Census Tract #	Block Groups #	Foreclosure/ Abandonment Risk Score	% Homes 90+ days Delinquent or in Foreclosure	Foreclosure Starts in past year	% Homes w/ High Cost Mortgage
04013422102	1,2,3	20	24.0%	33	46.2%
04013421502	1,2	20	21.3%	63	37.7%
04013421601	1,2	20	21.1%	72	37.6%
04013421602	1,2	20	21.8%	75	39.1%
04013421802	1,2	20	23.5%	114	45.6%
04013421902	1,2,3	20	25.3	138	48.8%

There are many areas in the City that need the assistance that this program has to offer; however, these smaller areas are being targeted in order to make a notable impact to the neighborhood. A majority of the targeted areas are included in the designated CDBG Target Area identified in the City of Mesa’s Annual Plan as

well as NSP1 Substantial Amendment. Many businesses and non-profit organizations have invested much time and resources into this area. Thus, the City wishes to build upon the ongoing efforts to revitalization and develop this significant and vital core of our City, which includes the downtown area. By reestablishing home owners to these neighborhoods that are close to the City's downtown area, it will help bring new patrons to existing downtown and surrounding businesses struggling in this current economy. The addition of new patrons will also spur new business opportunities to the downtown area.

The targeted neighborhoods also have very close proximity to major bus routes, including the Metro Light Rail. The City of Mesa is currently working on extending the Metro Light Rail to Mesa Drive, and if possible, to Gilbert Road. These transportation means are vital to the ongoing stability of the neighborhoods. The existing 20 mile Metro Light Rail has had a significant economic impact to the areas within a mile along its route by spurring \$5.9 billion in completed or planned private investment. All of the targeted neighborhoods will be within one mile of the proposed extension.

The City of Mesa is currently working on the Mesa Central Main Plan, which focuses on the development along the Metro Light Rail from Extension Road to beyond Gilbert Road. More information can be found at:

<http://www.mesaaz.gov/bettermesa/downtownfocus/cmsplan.aspx>

The targeted neighborhood in Census tract 04013422102 is across the street (Broadway Rd.) from a proposed 291,000 square feet Crescent Crowns Beverage Distribution Center, a business that is expected to bring up to 400 jobs to the area with an average salary of \$48,500.00. Also, in partnership with Maricopa County Workforce Development, a \$100,000.00 Workforce Training Grant is being provided to this business. In addition, this neighborhood is in close proximity to several major retail centers, including Fiesta Mall and Mekong Plaza.

The City expects to purchase, rehabilitate, and resale 6 or more homes in the neighborhood located in census tract 04013422102. An additional 6 homes and 18 rental units will be purchased and rehabilitated in the remaining identified census tracts, building upon the momentum achieved under CDBG, NSP1, and the local business and non-profit investment.

With the help of the City's Economic Development Department, the City will reach out to small businesses in the "vicinity" of the targeted areas to acquire services needed for the implementation of the program. The City will also encourage any business that is awarded contracts to utilize the workforce in the neighborhood in which they are working. We will work closely with these businesses to reach out to the local workforce as their need for addition employees arises.

Through the City's efforts and the efforts of the businesses and non-profits in the area, we hope to arrest the decline of home values and eliminate vacant and abandoned residential property in the targeted and surrounding neighborhoods. The expected outcome will be an increase in sales and median market values of residential and real estate property in the targeted and surrounding neighborhoods.

B. *Distribution and Uses of Funds*

Mesa will limit the distribution and use of NSP3 funds to those census tracts and block groups shown in Section A *Area of Greatest Need* of this amendment that have been identified as the areas of greatest need within the City of Mesa. In accordance with Section 2301(c)(2) of HERA, as amended by the Recovery Act and the Dodd-Frank Act, those areas have been targeted because they have the highest percentage of foreclosures, the highest percentage of homes with a high cost mortgage, and are likely to face a significant rise in the rate of home foreclosures.

Mesa will engage in the following activities within the outlined census tracts as part of its NSP3 activities:

- Acquire and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties;
- Provide Down Payment Assistance and Housing Counseling

Mesa will further attempt to focus the majority of its efforts within the above census tracts by targeting contiguous areas through the expertise of the City of Mesa Planning Department.

To accomplish the activity of homebuyer counseling and the management of rental properties, the City of Mesa will partner with community organizations in the area. These community organizations will be select by solicitation of a Request for Proposal following the procurement processes outlined in HUD regulations 24 CFR Part 85.

C. *Definitions*

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

Blighted. Unsightly conditions including the accumulation of litter or debris; buildings or structures exhibiting holes, breaks, rot, crumbling, cracking, peeling, or rusting; landscaping that exhibits uncontrolled growth, lack of maintenance, damage, or is dead or decayed; and any similar conditions of disrepair and

deterioration regardless of the condition of other properties in the vicinity or neighborhood.

(2) Definition of “affordable rents.”

Affordable Rents. Rents that follow the maximum HOME rent limits. The maximum HOME rents are the lesser of:

- (1) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 88.8.111; or
- (2) A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

Initial rent schedule and utility allowances. The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction must review and approve rents proposed by the owner for units subject to the maximum rent limitations in paragraphs (1) or (2) of this section. For all units subject to the maximum rent limitations in paragraphs (1) or (2) of this section for which the tenant is paying utilities and services, the participating jurisdiction must ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.

D. *Continued Affordability*

The City of Mesa will ensure continued affordability for NSP3 assisted housing by long-term monitoring. As outlined in all funding contracts and Declaration of Covenants, Conditions, and Restrictions (CC&Rs), rental property owners/managers are required to maintain complete files to comply with program reporting requirements and to make their records available to authorized agents of the local and federal government.

Desk reviews and on-site monitoring will provide an on-going assessment to assure the rental units assisted with NSP3 funds are being utilized in accordance with all laws, regulations, and policies that govern the program. City of Mesa staff will be responsible for reviewing information from property owners/managers as it relates to laws, regulations, and policies.

Throughout the compliance period, property owners/managers must complete and submit an Annual Compliance Report. The report will update staff on the status of

the NSP3 assisted units and property. Staff will schedule on-site monitoring visits annually.

The length of the compliance period is determined by the amount of NSP3 funds invested per unit in the project. The compliance period, also known as the affordability period, is determined at the time of the initial commitment. The length of the compliance period is also outlined in the legal documentation filed on the property.

<u>Activity</u>	<u>NSP Per Unit Investment</u>	<u>Minimum Affordability Period</u>
(Home Ownership) Acq./Rehab	Regardless of Amount	15 Years
(Rental) Acq./Rehab	Regardless of Amount	20 Years

The on-site monitoring visits will be to determine compliance with tenant income eligibility requirements, maximum allowable rental rates, physical property standards, and affirmative fair marketing laws.

E. *Housing Rehabilitation Standards*

Standards for NSP3 assisted activities will be held to the City of Mesa Housing Rehabilitation Program standards. The Housing Rehabilitation Program standards look at the general conditions, workmanship standards and materials standards.

All materials used shall be new, of good quality, and meet all applicable standards. Existing custom made items such as, but not limited to, kitchen cabinets, vanities, fixtures, built-ins, and all other custom items, will be replaced with stock items. All items will either be replaced or repaired as determined by the City of Mesa Rehabilitation staff. All plumbing fixtures shall be replaced with water saving models.

All workmanship shall meet the minimum standards set forth in the City of Mesa Housing Rehabilitation Program rehabilitation standards guidelines, with priority given to the following: Gas lines and gas appliances to eliminate safety hazards; electrical system and hazards; heating and cooling systems; plumbing leaks, faulty fixtures and/or related items; roofing; lead based paint abatement; termite control; windows and doors; attic insulation; and other safety and health hazards, as determined by the City of Mesa Rehabilitation staff.

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

All gut rehabilitation or new construction of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).

Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.

Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.

Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

The complete City of Mesa Housing Rehabilitation Standards guidelines can be found on our website at: <http://www.mesaaz.gov/housing/Rehab.aspx>

F. *Low Income Targeting*

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% of area median income: \$1,004,865.00.

This amount will be made available through the Acquisition/Rehabilitation/Rental program for individuals or families at or below 50% of area median income. NSP3 will work closely with the Section 8 program to ensure compliance with this regulation.

These funds will help to improve and increase the City's need of rental property for households earning at or under 50% of the area median income as identified in the City of Mesa Consolidated Plan, FY 2010-2014, Section 91.215(b) as well as meet HUD's requirement for the use of 25% of the funds for individuals or households, whose income is 50% or below the area median income.

Note: At least 25% of funds must be used for housing individuals and families

whose incomes do not exceed 50 percent of area median income.

G. *Acquisitions & Rehabilitation*

The City of Mesa expects to purchase and rehabilitate approximately 12 homes for home ownership and 18 housing units for rental for low, moderate and middle income individuals and households.

Commencement of the acquisition/rehab activity will commence upon notification from HUD of availability of NSP funds. However, the identification of potential properties has already begun. It is expected that all properties will be acquired and the rehabilitation will be in progress by July 1, 2011.

To meet the requirement to benefit households, whose income is 50% or less of area median income, the City of Mesa expects to make available a minimum of 12 rental units for households whose income does not exceed 50 percent of area median income.

H. *Public Comment*

The proposed NSP3 Substantial Amendment to the Action Plan was published via the City of Mesa's usual method in the East Valley Tribune as well as on the City of Mesa website for 15 calendar days.

A summary of all citizen comments received to the proposed NSP3 Substantial Amendment will be provided on the Final NSP3 Substantial Amendment, which will be posted website below.

I. *Website Publication*

The following documents are available on the grantee's website:

- SF 424
- Proposed NSP3 Substantial Amendment

Website URL: <http://www.mesaaz.gov/housing/>

NSP Information by Activity (Complete for Each Activity)

1. Activity Name: Acquisition Rehabilitation - Rental
2. Activity Type: NSP3 - Acquisition for Rehabilitation for residential purposes
CDBG – Acquisition for Rehabilitation for residential purposes
3. Beneficiaries: Benefit to households at or below 50% of AMI and households at 51% to 120% AMI
4. Projected Start Date: March 14, 2011
5. Projected End Date: March 14, 2014
6. Responsible Organization: City of Mesa
P.O. Box 1466
20 E. Main Street
Mesa, AZ 85211-1466
Raymond Thimesch, NSP Project Coordinator
480-644-4521
7. Location Description: The City of Mesa will focus on the census tracts with the highest need.

Those include:	04013421601	04013421602
	04013421802	04013421902
	04013421502	04013422102
8. Activity Description: The Acquisition Rehabilitation - Rental activity will focus strategically on neighborhoods with a high percentage of residential properties of foreclosed or abandoned homes within the targeted census tracts. Properties will be acquired at a minimum of one percent (1%) below appraised value. The City of Mesa will acquire, rehabilitate, and lease the properties to local non-profits in order reduce and eliminate vacant and abandoned residential properties in the area. The non-profits will manage and maintain the properties according to the affordability and maintenance standards set by the City of Mesa. From the rents, reserve funds will be established for future maintenance and rehabilitation of the properties, thus establishing self-sufficiency in their operation of the properties. Because not all families will qualify for homeownership, this activity will be cause for a high rate of neighborhood stabilization for long term tenants. The acquisition/rehabilitation activity for rentals will use to meet the low income housing requirement for those below 50% of area median income. The acquisition/rehabilitation activity for rentals will serve as workforce housing for individuals and families striving to one day become homeowners. The rentals will

be used to provide mixed income housing to the area. This activity will adhere to the affordability period as outlined in this Amendment to the Action Plan. At a minimum, affordable rents shall be established for 20 years as established by legal documentation filed on the property.

9. Duration or term of assistance: The duration for the rental activity could extend for an indefinite period of time, at a minimum occurring until March 14, 2014.
- Tenure of Beneficiaries: The tenure of benefits for NSP participants will be Based upon the activity, at a minimum until March 14, 2014.

10. Total Budget for Acquisition Rehabilitation - Rental:

2 ADA compliant units	
Acquisition and Rehab	\$200,000
16 units (\$87,500 x 16)	
Acquisition and Rehab	<u>\$1,400,000</u>
	\$1,600,000

11. Performance Measures: 12 units to be acquired/rehabilitated for households at or below 50% of area median income.
6 units to be acquired/rehabilitated for households at 51% to 120% of area median income.

NSP Information by Activity (Complete for Each Activity)

1. Activity Name: Acquisition Rehabilitation – Home Ownership
2. Activity Type: NSP - Acquisition for Rehabilitation for residential purposes
CDBG – Acquisition for Rehabilitation for residential purposes
3. Beneficiaries: Benefit to households at or below 50% of AMI and households at 51% to 120% of AMI
4. Projected Start Date: March 14, 2011
5. Projected End Date: March 14, 2014
6. Responsible Organization: City of Mesa
P.O. Box 1466
20 E. Main Street
Mesa, AZ 85211-1466
Raymond Thimesch, NSP Project Coordinator
480-644-4521
7. Location Description: The City of Mesa will focus on the census tracts with the highest need.

Those include:	04013421601	04013421602
	04013421802	04013421902
	04013421502	04013422102
8. Activity Description: The Acquisition Rehabilitation - Home Ownership activity will focus strategically on neighborhoods with a high percentage of residential properties of foreclosed or abandoned homes within the targeted census tracts. Properties will be acquired at a minimum of one percent (1%) below appraised value. The City of Mesa will acquire the properties, rehabilitate and resale the properties at fair market value in order to arrest the decline in home values and eliminate and reduce the inventory of vacant and abandoned residential properties in the area. The long term goal is to increase sales and median market values of residential and real estate property in the targeted neighborhood. The activity will partner with counseling agencies to provide the minimum 8 hours of homebuyer counseling and down payment assistance when necessary to complete the sales transactions. This activity will benefit individuals and households up to and including one hundred twenty percent (120%) AMI. This activity will adhere to the affordability period as outlined in this Amendment to the Action Plan. The affordability period for all home owners shall be 15 years as established by legal documentation filed on the property.

9. Duration or term of assistance: The duration for the homeownership activity will extend for an indefinite period of time, at a minimum occurring until March, 2014.

Tenure of Beneficiaries: The tenure of benefits for NSP participants will be at a minimum until March 14, 2014.

10. Total Budget for Acquisition/Rehab Homeownership:

12 units (\$150,416 x 12)	
Acquisition and Rehab	\$1,805,000
Down Payment Assistance	\$165,000
Housing counseling	<u>\$48,457</u>
For NSP3 properties	\$2,018,457

11. Performance Measures: 12 units to be acquired/rehabilitated for home ownership

NSP Information by Activity (Complete for Each Activity)

1. Activity Name: Administration
2. Activity Type: NSP - Administration
CDBG – Administration
3. Beneficiaries: Benefit to households at or below 50% of AMI and households at 51% to 120% of AMI
4. Projected Start Date: March 14, 2011
5. Projected End Date: March 14, 2014
6. Responsible Organization: City of Mesa
P.O. Box 1466
20 E. Main Street
Mesa, AZ 85211-1466
Raymond Thimesch, NSP Project Coordinator
480-644-4521
7. Location Description: The City of Mesa will focus on the census tracts with the highest need.

Those include:	04013421601	04013421602
	04013421802	04013421902
	04013421502	04013422102
8. Activity Description: Administration cost to administer the NSP program and ensure compliance with regulations will be ten percent (10%) of the total allocated amount.
9. Duration or term of assistance: March 14, 2014

Tenure of Beneficiaries: General administration and planning cost for staff administering the NSP program
10. Total Budget for Administration Cost: \$401,000 (over 3 years)

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 jurisdiction will comply with and follow 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 NSP3 funds are consistent with its consolidated plan, which means that NSP3 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 Title III of Division B of the Housing and Economic Recovery Act of 2008, as amended by the Recovery Act and the Dodd-Frank Act, by using, as defined in the NSP3 Notice, 50% of its grant funds within 2 years and 100% 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 NSP3 funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP3 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 NSP3 funds if the jurisdiction certifies that it lacks NSP3 or CDBG funds to cover the assessment.

(13) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(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.

Signature/Authorized Official

Date

Title