THE NSP SUBSTANTIAL AMENDMENT – REVISED 8/15/2010

(PLEASE NOTE: REVISIONS ARE SHOWN IN RED FONT)

Jurisdiction(s): City of Sterling Heights *(identify lead entity in case of joint agreements)* Jurisdiction Web Address: • *(URL where NSP Substantial Amendment materials are posted)* *www.sterling-heights.net*	NSP Contact Person: Stephanie Burgess Address: City of Sterling Heights 40555 Utica Road P.O. Box 8009 Sterling Heights, MI 48311-8009 Telephone: (586)446-2382 Fax: (586)276-4061 Email: sburgess@sterling-heights.net

A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data, in developing this section of the Substantial Amendment.

Response:

To determine the areas of greatest need, the City first located the areas in the city that qualified under the "low-, moderate- and middle-income" (LMMI) criteria. Since all of the funds made available under Neighborhood Stabilization Program are to be used with respect to individuals and families whose incomes do not exceed 120% of area median income, it would not be an efficient use of time to evaluate an area of the City that was not LMMI eligible.

As the next step the City evaluated each LMMI area using the following criteria, which is required under Title III of Division B of the Housing and Economic Recovery Act (HERA):

(A) Greatest percentage of home foreclosures;

(B) Highest percentage of homes financed by a sub-prime mortgage related loan; and
(C) Identified as likely to face a significant rise in the rate of home foreclosures.

Two spreadsheets detailing this data have been included with this submission as Attachment #3 and Attachment #4.

One census tract located in the City topped both of the data sets but was not included as an area of greatest need. Tract number 2313 (including all block groups), which boundaries run from Fourteen Mile Road to Eighteen Mile Road and Mound to Van Dyke is a primarily industrial and commercial area and as a result excluded from the City's target areas.

The 2000 Census indicated that there are 96 households in tract 2313. However, all of these properties are now considered non-conforming. The City does not want to use NSP funds to encourage continued residential use of non-conforming properties. In addition, many of the residential properties located in tract 2313 have been purchased by the owners of the adjacent industrial businesses and have been left vacant because they are located in an undesirable area.

Three additional LMMI eligible tracts (tract 2312 block group 2; tract 2311 block group 4; and tract 2300 block group 1) were also excluded from consideration for the areas of greatest need because of a high percentage of apartment complexes, new senior living complexes, or commercial properties.

The remaining LMMI eligible areas all had similar foreclosure related issues with abandonment risk scores ranging from 5 to 9; foreclosure rates between 5.34% and 7.05%; and percent of high cost loans from 14.78% to 24.74%. Since a high foreclosure rate did not guarantee a high abandonment score, or an increase in high cost loans all remaining LMMI eligible areas have been included in the designated areas of greatest needs. A map and a summary of the required criteria for each tract and block group included in the City's designated areas of greatest need have been included with the substantial amendment as Attachment #1 and Attachment #2.

B. Distribution and Uses of Funds

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. Note: The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

<u>Response:</u>

The City's response to question A identifies the City's methodology used to identify the areas of greatest need using the three stipulated need criteria. Since the City's designated areas of greatest needs is quite broad, all NSP activities proposed by the City (listed below) will be limited to these areas.

Limiting NSP activities to these areas should not prove to be problematic. Each area has an adequate amount of foreclosed homes that would be considered "modest housing", which would be compatible with any of the City's NSP activities.

Proposed NSP Activities				
Activity No.	Activity Title/Description	Proposed Allocation	Accomplishments/ Beneficiaries/ Location	Anticipated Start/ Completion Date
NSP-01	Administration	$245,496	N/A	N/A
NSP-02	Establish financing mechanisms for the purchase of foreclosed homes including down payment assistance and rehabilitation programs. Programs will be made available to NSP eligible homebuyers for properties that they will occupy as their principle residence.	**$375,000**	**10** homebuyers/ **6** Low /**2** Moderate /**2** Middle Income. City will limit home purchases in NSP target areas.	Start: April 1, 2009 End: June 30, 2010
NSP-03	Acquisition/Rehab/Resale Acquire and rehab abandoned or foreclosed properties in NSP target areas to be utilized as housing to benefit individuals whose incomes do not exceed 50% of the area median income. The City or a qualified subrecipient will administer this activity.	**$1,132,240**	**9** homes located in NSP target area to benefit **9** Low-Income families or individuals.	Start: May 1, 2009 End: June 30, 2010
NSP-04	Acquisition of vacant or demolished properties for redevelopment into an eligible use such as new construction in a target area or a public facility.	$695,725	4 new homes or 1 public facility. Activity will take place in a target area.	Start: May 1, 2009 End: June 30, 2010
NSP-05	Demolition of blighted structures in LMMI areas.	**$6,500**	**1** blighted structures in target area.	Start: May 1, 2009 End: June 30, 2010

NSP PROJECT FUNDING ADJUSTMENTS

Activity	Original Budget	Revised June 2010	Proposed Aug. 10 Revision
NSP-01 Admin.	$245,496	$245,496	$245,496
NSP-02 DPA/Rehab	$800,000	$375,000	$375,000
NSP-03 Acq./Rehab/Resale	$613,740	$1,113,740	$1,132,240
NSP-04 Acq./Redevelopment	$695,725	$695,725	$695,725
NSP-05 Demolition	$100,000	$25,000	$6,500
TOTAL	**$2,454,961**	**$2,454,961**	**$2,454,961**

C. Definitions and Descriptions

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

Response:

Per Chapter 33: Nuisances; of the City's Code of Ordinances, property can meet any one of the following criteria to qualify a property as a "blighted structure".

- **Uninhabitable or useless structures**. In any area, the existence of any structure or part of any structure which, because of fire, wind or other natural disaster or physical deterioration, is no longer habitable, if a dwelling, nor useful for any other purpose for which it may have been intended.
- **Dwellings out of repair.** In any area, a dwelling or the parts thereof that are not kept in good repair, including plumbing, heating, ventilating and electrical wiring. The roof shall be so maintained as not to leak and the rainwater shall be drained and conveyed therefrom through proper conduits into the sewerage system in accordance with plumbing regulations so as to avoid dampness in the walls and ceilings and unsanitary conditions.
- **Partially completed structures.** In any area, the existence of any partially completed structure, unless the structure is in the course of construction in accordance with a valid and subsisting building permit issued by the city and unless such construction is completed within a reasonable time.
- **Unprotected vacant buildings in residential areas.** In any area zoned for residential purposes, the existence of any vacant dwelling, garage or other outbuilding, unless such buildings are kept securely locked, windows kept glazed or neatly boarded up and otherwise protected to prevent entrance thereto by vandals.

(2) Definition of "affordable rents." ***Note:*** **Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.**

Response:

At the present time the City does not propose undertaking any activities that will produce units of rental housing. If the City does undertake such an activity, the units produced would be required to be leased at or below Fair Market Rent (FMR) – The monthly rent, including the cost of utilities (except telephone), as established by HUD for units of varying sizes (by number of bedrooms), that must be paid in the housing market area to rent privately owned, existing, decent, safe, and sanitary rental housing of modest (non-luxury) nature with suitable amenities. Periodical published in the Federal Register in accordance with 24 CFR part 888. This requirement would be enforced through deed restrictions and a lien in the amount of the total NSP investment in the project. The period of affordability would be based on the average per unit investment of NSP funds according to the following schedule:

Affordability Period for Rental Units	
Amount of NSP Funds Invested Per Rental Unit	**Affordability Period**
Less Than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater Than $40,000	15 Years

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

Response:

The City of Sterling Heights will adopt the HOME program standards for ensuring continued affordability. If a property is assisted with NSP funds and is sold during the affordability period, resale or recapture provisions will apply.

All NSP activities currently proposed by the City will be subject to a recapture provision. The length of the affordability period will depend on the amount of the NSP investment in the property. The table below provides the affordability period required based on the NSP investment.

Affordability Period for NSP Assisted Housing	
NSP Investment Per Unit	**Affordability Period**
Less Than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater Than $40,000	15 Years

The amount of the NSP investment will be treated as a loan and secured by a second lien on the property. The amount of the NSP funds to be recaptured may be reduced on a pro-rata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period as allowed under 24 CFR 92.254(a)(5)(ii)(A)(2). In the event that the home is sold and the net proceeds are not sufficient to recapture the full NSP investment (or a reduced amount as allowed under 24 CFR 92.254(a)(5)(ii)(A)(2)) plus enable the homeowner to recover the amount of the homeowner's down payment and any capital improvement investment made by the owner since purchased, the city may share the net proceeds as allowed under 24 CFR 92.254(a)(5)(ii)(A)(3).

During the affordability period the NSP housing must remain the family's principal residence. At the end of the affordability period the owner would be allowed to sell without restriction. Recaptured funds will be used for additional NSP eligible activities or returned to the Treasury as required by rules and regulations.

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

Response:

At minimum, all homes assisted with NSP funds will be brought into compliance with local ordinances, the Michigan Building Codes, and the International Property Maintenance Code. Lead based paint hazards will be addressed as required by HUD.

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: see response provided below.

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.

Response:

The budget of **$1,132,240** for NSP activity NSP-03 was designated to meet the City's obligation to allocate at least 25% of its NSP funds for housing for families whose income does not exceed 50% AMI. The City will administer this activity unless a subrecipient is identified who will agree to abide by the NSP rules and regulations.

The City also anticipates that NSP activity NSP-02, "Down Payment and Housing Rehabilitation" be utilized by families whose incomes do not exceed 50% AMI. The exact amount of funds will depend on the number of qualified eligible homebuyers.

The City is prepared to adjust the budget for either activity in the event that one program proves more effective than the other in meeting is requirement.

E. *ACQUISITIONS & RELOCATION*

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low- , moderate-, and middle-income households—i.e., ≤ 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

As a result of the City's aggressive Code Enforcement efforts it would be a rare occasion for a property to meet the criteria listed in the City's definition of a blighted structures as provided in response to question C (1). However, the City did include a minimal budget for demolition under NSP activity number NSP-05 in event that a "blighted property" was identified during the 18-month duration of this program. If a property were to be demolished the City expects to redevelop the property into housing for eligible LMMI families. The maximum number of units for demolition would be eight.

*F. **PUBLIC COMMENT***

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Note: **proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.**

Response: No comments were received during the public comment period.

Public comment for the substantial amendment for the plan was held 8/15/10 – 8/30/10.

NSP INFORMATION BY ACTIVITY - ADMINISTRATION

(1) Activity Name: NSP-01 Administration

(2) Activity Type: N/A

(3) National Objective: N/A

(4) Activity Description: General NSP administration.

(5) Location Description: General NSP administration

(6) **Performance Measures:** N/A

(7) Total Budget: $245,496 + 10% from any program income received

(8) Responsible Organization:
This activity will be implemented directly by the City of Sterling Heights, City Development Office, 40555 Utica Road, Sterling Heights, MI 48313. Administrator contact: Stephanie Burgess (586)446-2382 or email: sburgess@sterling-heights.net

(9) Projected Start Date: Beginning with pre-award costs related to developing the Substantial Amendment as of September 29, 2008.

(10) Projected End Date: July 30, 2013 (deadline for use of NSP program income).

(11) Specific Activity Requirements: N/A

NSP INFORMATION BY ACTIVITY – DOWN PAYMENT ASSISTANCE & REHABILITATION

(1) Activity Name: NSP-02 Down Payment Assistance and Rehabilitation.

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)
This is an NSP eligible activity type B – Purchase and rehabilitation of abandoned or foreclosed homes and NSP eligible activity type A – Financial Mechanisms

CDBG eligible activities include:

- 570.201(n) Direct homeownership assistance
- 570.202(a)(1) Eligible rehabilitation and preservation activities for homes and other residential properties.
- 570.201 (e) Housing counseling

(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).
National objective will be met by limiting the program to households at or below 120% AMI.

(4) Activity Description:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.
Prior to consideration for assistance, potential homebuyers must attend 8 hours of homebuyer counseling which will be paid for through this activity.

Funds allocated for this activity will be used to provide income eligible homebuyers with down payment and closing cost assistance to purchase a foreclosed or abandoned home. If necessary, the City may also elect to use NSP funds to "buy down" loans. Additional funds will be provided to bring the property up to the City's rehabilitation standards (see response to question C(4)). Only abandoned and foreclosed homes located in the City's designated areas of greatest needs are eligible for assistance under this program.

The loan will be secured by a second lien for the amount of the NSP investment (down payment assistance + rehabilitation costs). The assistance the homebuyer receives from the City will be subject to recapture during the affordability period.

The program will help to stabilize neighborhoods by encouraging homebuyers to be owner-occupants of abandoned and foreclosed homes. It will also provide the new homeowner with financial resources needed to make the homes safe for occupancy.

To be eligible for assistance, the applicant's income cannot exceed 120% AMI. Households below 50% AMI are eligible to participate, but this activity is not specifically targeted to those households.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)
Only foreclosed or abandoned single family homes located in the City's designated areas of greatest need (Map 1) will be eligible for purchase through this program.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).
10 housing units will be acquired and rehabilitated. Anticipated distribution of beneficiaries: **6**-low income, **2**-moderate income, and **2**-middle income.

(7) Total Budget: (Include public and private components)
$375,000, not including the revenue generated by the repayment of program income resulting in homes sold prior to July 30, 2013 (deadline for use of NSP program income).

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)
This activity will be implemented directly by the City of Sterling Heights, City Development Office, 40555 Utica Road, Sterling Heights, MI 48313. Administrator contact: Stephanie Burgess (586)446-2382 or email: sburgess@sterling-heights.net

(9) Projected Start Date: April 1, 2009

(10) Projected End Date: June 30, 2010

(11) Specific Activity Requirements:
For acquisition activities, include:

- **discount rate** response – the City of Sterling Heights will seek to achieve a average discount rate of 15% for all properties assisted under this activity. The minimum purchase price discount must be at least 5% below the current market appraised value.

For financing activities, include:

- **range of interest rates** response: no-interest if occupied as principal residence.

For housing related activities, include:

- **duration or term of assistance;** response – see chart below
- **tenure of beneficiaries--rental or homeownership;** response - homeownership
- **a description of how the design of the activity will ensure continued affordability**

The length of the affordability period will depend on the amount of the NSP investment (down payment assistance + rehabilitation costs) in the property. The table below provides the affordability period required based on the NSP investment.

Affordability Period for NSP Assisted Housing	
NSP Investment Per Unit	**Affordability Period**
Less Than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater Than $40,000	15 Years

The amount of the NSP investment will be treated as a loan and secured by a second lien on the property. The amount of the NSP funds to be recaptured may be reduced on a pro-rata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period as allowed under 24 CFR 92.254(a)(5)(ii)(A)(2). In the event that the home is sold and the net proceeds are not sufficient to recapture the full NSP investment (or a reduced amount as allowed under 24 CFR 92.254(a)(5)(ii)(A)(2)) plus enable the homeowner to recover the amount of the homeowner's down payment and any capital improvement investment made by the owner since purchased, the city may share the net proceeds as allowed under 24 CFR 92.254(a)(5)(ii)(A)(3).

During the affordability period the NSP housing must remain the family's principal residence. At the end of the affordability period the owner would be allowed to sell without restriction. Recaptured funds will be used for additional NSP eligible activities or returned to the Treasury as required by rules and regulations.

NSP INFORMATION BY ACTIVITY – ACQUISITION/REHAB/RESALE

(1) Activity Name: NSP-03 Acquisition/Rehab/Resale

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)
This activity is eligible under NSP use B – purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

CDBG eligible activities include:

- 570.201 (a) Acquisition
- 570.201 (b) Disposition
- 570.201 (e) Housing counseling
- 570.201 (n) Direct homeownership assistance
- 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties.

(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).
This activity will be limited to households with incomes less than or equal to 120% AMI.

(4) Activity Description:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.
The City of Sterling Heights will identify foreclosed and abandoned properties using lists of tax and mortgage foreclosures, local records, available HUD homes and neighborhood

research. Only modest homes located in on of the City's areas of greatest need will be considered. Upon identification, properties will be acquired at a discounted rate from the current appraised value. Properties will be inspected and rehabilitated to the extent necessary to bring the home up to the City's rehabilitation standards (see City's response to question C(4)). All NSP funds associated with the project will be subject to recapture and secured through a second loan on the property.

This activity has been designed to meet the low-income housing requirement for those with household incomes below 50% AMI. Homes will be sold at a discount to eligible 50% AMI households. The City will work with agencies such as the Macomb Homeless Coalition, Sterling Heights Housing Commission, or Habitat for Humanity to identify qualified homebuyers. All potential homebuyers under this program must attend 8 hours of homebuyer counseling which will be paid for through this NSP activity.

Eligible homebuyers may also qualify for down-payment assistance through the City's NSP activity NSP-02, but must obtain a mortgage to cover the balance.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)
Only modest homes located in a designated area of greatest need will be considered for this activity.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).
This activity will result in five residential properties to benefit **nine** families whose household income does not exceed 50% AMI.

(7) Total Budget: (Include public and private components)
$1,132,240

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)
This activity it will be implemented directly by the City of Sterling Heights, City Development Office, 40555 Utica Road, Sterling Heights, MI 48313. Administrator contact: Stephanie Burgess (586)446-2382 or email: sburgess@sterling-heights.net or a qualified subrecipient.

(9) Projected Start Date: May 1, 2009

(10) Projected End Date: June 30, 2010

(11) Specific Activity Requirements:
For acquisition activities, include:

- **discount rate** response – the City of Sterling Heights will seek to achieve a average discount rate of 15% for all properties assisted under this activity. The minimum purchase price discount must be at least 5% below the current market appraised value.

For financing activities, include:

- **range of interest rates;** response – N/A, the homebuyer must obtain a mortgage from a qualified lender for the balance due.

For housing related activities, include:

- **duration or term of assistance;** response – see chart below
- **tenure of beneficiaries--rental or homeownership;** response – focus on homeownership
- **a description of how the design of the activity will ensure continued affordability;** response – see chart below

The length of the affordability period will depend on the amount of the NSP investment, including acquisition and rehabilitation costs, in the property. The table below provides the affordability period required based on the NSP investment.

Affordability Period for NSP Assisted Housing	
NSP Investment Per Unit	**Affordability Period**
Less Than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater Than $40,000	15 Years

As required by HERA, the sale price of the home will be less than the total acquisition and rehabilitation costs.

The homebuyer may also apply for down payment assistance through NSP activity NSP-02 to acquire the home. The amount of the down payment assistance will be treated as a loan and secured by a second lien on the property. Down payment assistance funds will be subject to the City's recapture policy as detailed in the City's response to question C(3).

During the affordability period the NSP housing must remain the family's principal residence. At the end of the affordability period the owner would be allowed to sell without restriction. Recaptured funds will be used for additional NSP eligible activities or returned to the Treasury as required by rules and regulations.

NSP INFORMATION BY ACTIVITY – REDEVELOP VACANT OR DEMOLISHED PROPERTIES

(1) <u>Activity Name</u>: NSP-04 Redevelop Demolished or Vacant Properties

(2) <u>Activity Type</u>: (include NSP eligible use & CDBG eligible activity)
This is an NSP eligible activity E – Redevelop demolished or vacant properties.

CDBG eligible activities include:

- 570.201 (a) Acquisition
- 570.201 (b) Disposition
- 570.201 (c) Public facilities and improvements
- 570.201 (e) Housing counseling
- 570.201 (n) Direct homeownership assistance
- New construction is not specifically listed as a CDBG eligible activity but is eligible under NSP rules

(3) <u>National Objective</u>: (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).
This activity will provide direct assistance or provide an area benefit to households with incomes less than or equal to 120% AMI.

(4) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.
Under this activity the City will acquire and redevelop demolished or vacant properties located within the City's areas of greatest need. It is expected that the redevelopment will be in the form of new construction or a public facility.

In the event that this activity results in new construction, sale of the new homes will be limited to households whose incomes do not exceed 120% AMI. Households below 50% AMI are eligible to participate, but this activity is not targeted to those households. As required with all housing activities, potential homebuyers must attend 8 hours of homebuyer counseling which will be paid for through this activity. The expected benefit to income-qualified persons will be access to modest, descent, and safe housing. Homebuyers may apply for down-payment assistance through NSP activity NSP-02 if purchasing a home provided under this activity.

If this activity results in a public facility, the facility will provide an area benefit to households whose incomes do not exceed 120%AMI. Based on the budget for NSP-04, the activity is expected to produce four new homes for LMMI homebuyers or one new public facility.

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

Only demolished or vacant properties located in a designated area of greatest need will be considered for this activity.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).
This activity will result one public facility or in four homes to benefit households whose income does not exceed 120% AMI.

(7) Total Budget: (Include public and private components)
$695,725

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)
This activity will be implemented directly by the City of Sterling Heights, City Development Office, 40555 Utica Road, Sterling Heights, MI 48313. Administrator contact: Stephanie Burgess (586)446-2382 or email: sburgess@sterling-heights.net

(9) Projected Start Date: May 1, 2009

(10) Projected End Date: June 30, 2010

(11) Specific Activity Requirements:
For acquisition activities, include:

- **discount rate;** response – the City of Sterling Heights will seek to achieve a average discount rate of 15% for all properties assisted under this activity. The minimum purchase price discount must be at least 5% below the current market appraised value.

For financing activities, include:

- **range of interest rates;** response – N/A

For housing related activities, include:

- **duration or term of assistance;** response: see chart below
- **tenure of beneficiaries--rental or homeownership;** response: homeownership or public facility
- **a description of how the design of the activity will ensure continued affordability**

The event that this activity results in new construction or homeownership, the length of the affordability period will depend on the amount of the NSP investment. The table below provides the affordability period required based on the NSP investment.

Affordability Period for NSP Assisted Housing	
NSP Investment Per Unit	**Affordability Period**

Less Than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater Than $40,000	15 Years

All funds utilized for this activity will be subject to the City's recapture requirements as provided in response to question C (4).

NSP INFORMATION BY ACTIVITY – DEMOLITION OF BLIGHTED STRUCTURES

(1) Activity Name: NSP-05 Demolition of Blighted Structures

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)
This is an NSP eligible activity D – demolish blighted structures. Clearance of blighted structures is an eligible CDBG activity under 24 CFR 570.201(d).

(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).
To meet this objective only blighted structures located in the City's areas of greatest need (all LMMI eligible) will be considered for demolition under this project.

(4) Activity Description:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.
Removal blighted structures through this activity will result in an area wide benefit. In addition the activity will benefit NSP income eligible households by demolishing unsafe structures that might otherwise be rented or sold to homebuyers that are unprepared financially to make the structure safe and sanitary.

To be considered a "blighted structure" the property must meet one of the following criteria:

- **Uninhabitable or useless structures**. In any area, the existence of any structure or part of any structure which, because of fire, wind or other natural disaster or physical deterioration, is no longer habitable, if a dwelling, nor useful for any other purpose for which it may have been intended.
- **Dwellings out of repair.** In any area, a dwelling or the parts thereof that are not kept in good repair, including plumbing, heating, ventilating and electrical wiring. The roof shall be so maintained as not to leak and the rainwater shall be drained and conveyed there from through proper conduits into the sewerage system in accordance with plumbing regulations so as to avoid dampness in the walls and ceilings and unsanitary conditions.
- **Partially completed structures.** In any area, the existence of any partially completed structure, unless the structure is in the course of construction in

accordance with a valid and subsisting building permit issued by the city and unless such construction is completed within a reasonable time.

- **Unprotected vacant buildings in residential areas.** In any area zoned for residential purposes, the existence of any vacant dwelling, garage or other outbuilding, unless such buildings are kept securely locked, windows kept glazed or neatly boarded up and otherwise protected to prevent entrance thereto by vandals.

This activity will not be used to meet the low income housing requirement for those below 50% of area median income.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)
Specific locations to be determined on the basis need. However, only blighted structures located in the City's areas of greatest need will be demolished with NSP funds.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).
It is anticipated that **one** blighted structures will be demolished under this activity.

(7) Total Budget: (Include public and private components)
$6,500 has been budgeted for this activity.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)
This activity will be implemented directly by the City of Sterling Heights, City Development Office, 40555 Utica Road, Sterling Heights, MI 48313. Administrator contact: Stephanie Burgess (586)446-2382 or email: sburgess@sterling-heights.net

(9) Projected Start Date: May 1, 2009

(10) Projected End Date: June 30, 2011

(11) Specific Activity Requirements:
For acquisition activities, include:

- **discount rate –** response: N/A

For financing activities, include:

- **range of interest rates –** response: N/A

For housing related activities, include:

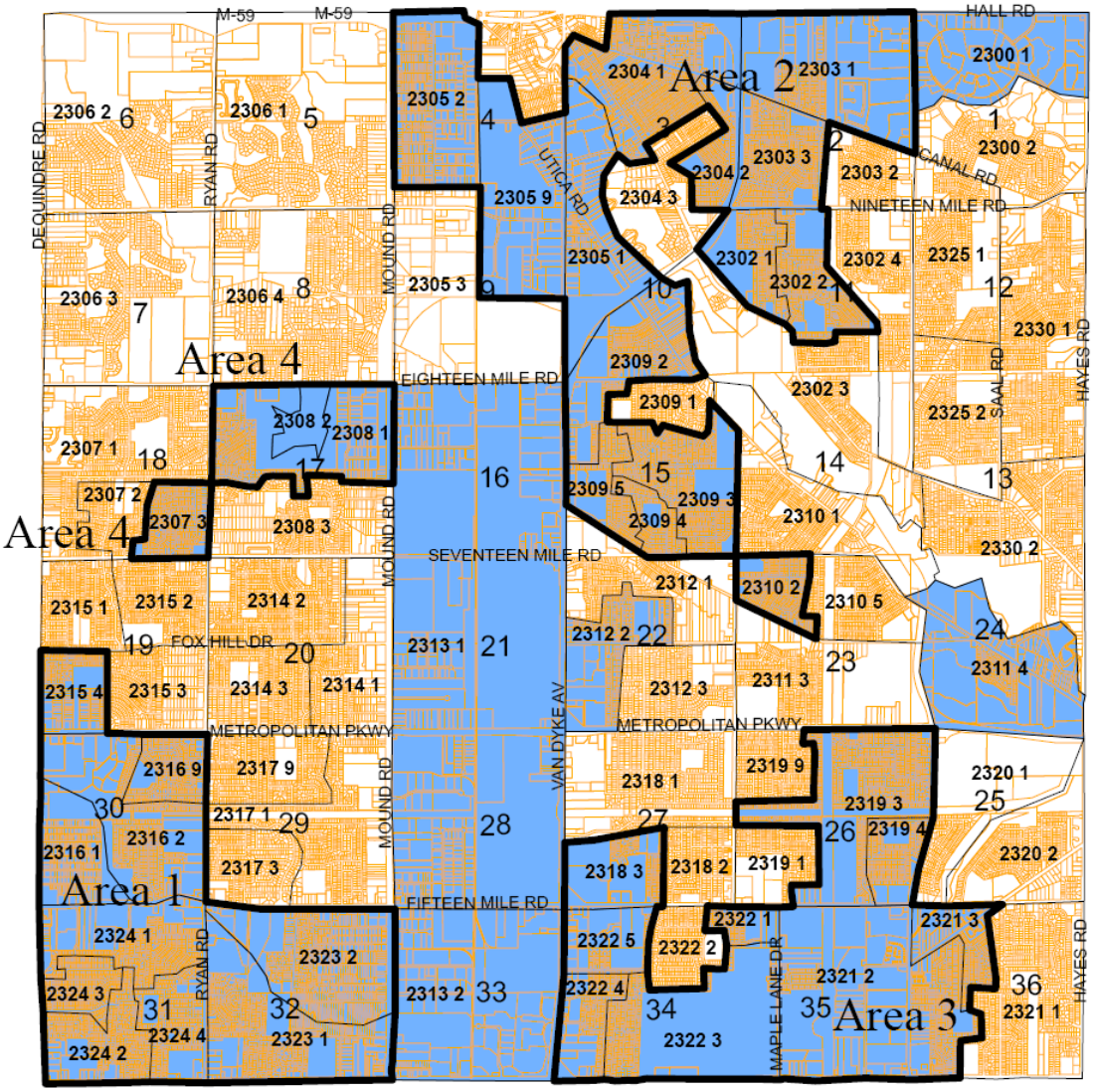
- **duration or term of assistance;** response: one time benefit
- **tenure of beneficiaries--rental or homeownership;** response: homeownership

- **a description of how the design of the activity will ensure continued affordability;** response – demolition of these properties will ensure that they are not sold to a homebuyer that is unprepared financially to make the house safe and sanitary.

Attachment #1

CITY OF STERLING HEIGHTS

DESIGNATED NSP TARGET AREAS



CITY OF STERLING HEIGHTS

2000 CENSUS BLOCK DATA

Attachment #2

CITY OF STERLING HEIGHTS
SUMMARY OF SELECTED TARGET AREA - AREA OF GREATEST NEED

AREA	TRACT	BLOCK	LMMI ELIGIBLE	ESTIMATED FORECLOSURE ABANDONMENT RISK SCORE	EST. FORCLOSURE RATE	ESTIMATED % OF 90 DAY VACANCY RATE	ESTIMATED % OF HIGH COST LOANS
AREA 1	2315	4	YES	6	6.32%	0.51%	20.72%
	2316	1	YES	6	6.00%	0.45%	18.70%
	2316	2	YES	6	6.00%	0.45%	18.70%
	2316	9	YES	6	6.00%	0.45%	18.70%
	2323	1	YES	7	6.53%	1.81%	21.88%
	2323	2	YES	7	6.53%	1.81%	21.88%
	2324	1	YES	6	6.90%	0.79%	24.02%
	2324	2	YES	6	6.90%	0.79%	24.02%
	2324	3	YES	6	6.90%	0.79%	24.02%
	2324	4	YES	6	6.90%	0.79%	24.02%
AREA 2	2302	1	YES	5	6.24%	0.10%	20.07%
	2302	2	YES	5	6.24%	0.10%	20.07%
	2303	1	YES	6	6.09%	0.89%	19.17%
	2303	3	YES	6	6.09%	0.89%	19.17%
	2304	1	YES	7	6.50%	1.09%	21.69%
	2304	2	YES	7	6.50%	1.09%	21.69%
	2305	1	YES	8	5.60%	5.33%	16.34%
	2305	2	YES	8	5.60%	5.33%	16.34%
	2305	9	YES	8	5.60%	5.33%	16.34%
	2309	2	YES	6	5.99%	1.24%	18.61%
	2309	3	YES	6	5.99%	1.24%	18.61%
	2309	4	YES	6	5.99%	1.24%	18.61%
	2309	5	YES	6	5.99%	1.24%	18.61%
	2310	2	YES	6	6.20%	0.76%	19.73%
AREA 3	2318	3	YES	6	6.54%	0.62%	21.67%
	2319	3	YES	5	6.23%	0.27%	19.95%
	2319	4	YES	5	6.23%	0.27%	19.95%
	2321	2	YES	6	5.57%	0.79%	16.17%
	2321	3	YES	6	5.57%	0.79%	16.17%
	2322	1	YES	7	7.05%	2.10%	24.74%
	2322	3	YES	7	7.05%	2.10%	24.74%
	2322	4	YES	7	7.05%	2.10%	24.74%
	2322	5	YES	7	7.05%	2.10%	24.74%
AREA 4	2307	3	YES	5	5.34%	0.28%	14.78%
	2308	1	YES	9	6.58%	5.47%	21.88%
	2308	2	YES	9	6.58%	5.47%	21.88%

Attachment #3

CITY OF STERLING HEIGHTS

NSP FORECLOSURE RISK SCORE AND LMMI ELIGIBILITY STATUS

Tract	Block Group	LMMI Eligible	Estimated Foreclosure Abandonment Risk Score	Percent of 120 AMI	# of Persons at 120 AMI	Total Persons
231300	**1**	**YES**	**10**	**89.76%**	**149**	**166**
231300	**2**	**YES**	**10**	**100.00%**	**42**	**42**
230800	**1**	**YES**	**9**	**60.55%**	**1036**	**1711**
230800	**2**	**YES**	**9**	**88.97%**	**1024**	**1151**
230800	3	NO	9	48.14%	918	1907
230500	**1**	**YES**	**8**	**76.68%**	**904**	**1179**
230500	**2**	**YES**	**8**	**72.90%**	**511**	**701**
230500	3	NO	8	26.67%	12	45
230500	**9**	**YES**	**8**	**91.70%**	**1535**	**1674**
230400	**1**	**YES**	**7**	**64.12%**	**1219**	**1901**
230400	**2**	**YES**	**7**	**52.05%**	**559**	**1074**
230400	3	NO	7	39.13%	297	759
231100	3	NO	7	41.74%	596	1428
231100	**4**	**YES**	**7**	**71.55%**	**1187**	**1659**
232200	**1**	**YES**	**7**	**73.58%**	**454**	**617**
232200	2	NO	7	48.29%	521	1079
232200	**3**	**YES**	**7**	**57.35%**	**710**	**1238**
232200	**4**	**YES**	**7**	**61.73%**	**513**	**831**
232200	**5**	**YES**	**7**	**74.98%**	**770**	**1027**
232300	**1**	**YES**	**7**	**52.41%**	**1132**	**2160**
232300	**2**	**YES**	**7**	**62.40%**	**1620**	**2596**
230000	**1**	**YES**	**6**	**64.92%**	**792**	**1220**
230000	2	NO	6	49.25%	1341	2723
230300	**1**	**YES**	**6**	**72.57%**	**1262**	**1739**
230300	2	NO	6	47.40%	547	1154
230300	**3**	**YES**	**6**	**66.82%**	**1180**	**1766**
230900	1	NO	6	35.15%	329	936
230900	**2**	**YES**	**6**	**61.65%**	**1595**	**2587**
230900	**3**	**YES**	**6**	**54.66%**	**1133**	**2073**
230900	**4**	**YES**	**6**	**53.08%**	**353**	**665**
230900	**5**	**YES**	**6**	**57.24%**	**747**	**1305**
231000	1	NO	6	43.59%	717	1645
231000	**2**	**YES**	**6**	**57.49%**	**568**	**988**
231000	5	NO	6	47.79%	799	1672
231200	1	NO	6	47.02%	536	1140
231200	**2**	**YES**	**6**	**64.33%**	**826**	**1284**
231200	3	NO	6	46.34%	601	1297
231400	1	NO	6	48.04%	758	1578

Tract	Block Group	LMMI Eligible	Estimated Foreclosure Abandonment Risk Score	Percent of 120 AMI	# of Persons at 120 AMI	Total Persons
231400	2	NO	6	47.99%	1256	2617
231400	3	NO	6	42.38%	720	1699
231500	1	NO	6	41.74%	685	1641
231500	2	NO	6	43.00%	838	1949
231500	3	NO	6	45.25%	638	1410
231500	**4**	**YES**	**6**	**51.74%**	**342**	**661**
231600	**1**	**YES**	**6**	**75.02%**	**991**	**1321**
231600	**2**	**YES**	**6**	**65.52%**	**1254**	**1914**
231600	**9**	**YES**	**6**	**53.45%**	**550**	**1029**
231700	1	NO	6	45.15%	1251	2771
231700	3	NO	6	48.49%	641	1322
231700	9	NO	6	44.65%	831	1861
231800	1	NO	6	48.15%	767	1593
231800	2	NO	6	50.46%	603	1195
231800	**3**	**YES**	**6**	**65.80%**	**856**	**1301**
232100	1	NO	6	38.28%	704	1839
232100	**2**	**YES**	**6**	**64.93%**	**1742**	**2683**
232100	**3**	**YES**	**6**	**69.08%**	**717**	**1038**
232400	**1**	**YES**	**6**	**58.38%**	**850**	**1456**
232400	**2**	**YES**	**6**	**58.80%**	**932**	**1585**
232400	**3**	**YES**	**6**	**66.24%**	**669**	**1010**
232400	**4**	**YES**	**6**	**55.05%**	**790**	**1435**
230200	**1**	**YES**	**5**	**57.01%**	**484**	**849**
230200	**2**	**YES**	**5**	**53.66%**	**880**	**1640**
230200	3	NO	5	43.94%	500	1138
230200	4	NO	5	37.82%	677	1790
230600	1	NO	5	30.34%	793	2614
230600	2	NO	5	34.59%	549	1587
230600	3	NO	5	37.12%	984	2651
230600	4	NO	5	36.72%	966	2631
230700	1	NO	5	40.52%	1073	2648
230700	2	NO	5	46.69%	558	1195
230700	**3**	**YES**	**5**	**55.35%**	**734**	**1326**
231900	1	NO	5	40.69%	542	1332
231900	**3**	**YES**	**5**	**51.22%**	**1277**	**2493**
231900	**4**	**YES**	**5**	**53.16%**	**446**	**839**
231900	9	NO	5	42.63%	610	1431
232000	1	NO	5	29.03%	173	596
232000	2	NO	5	37.20%	555	1492
232500	1	NO	5	47.22%	1106	2342
232500	2	NO	5	27.97%	530	1895
233000	1	NO	5	41.92%	1578	3764
233000	2	NO	5	33.53%	728	2171

Attachment #4

CITY OF STERLING HEIGHTS
TARGET AREA DATA
PRIMARY SORT – ESTIMATED RATE OF FORECLOSURE

TRACT	HOUSEHOLD COUNT FROM 2000 CENSUS	ESTIMATED NUMBER OF FORECLOSURES	ESTIMATED NUMBER OF MORTGAGES	ESTIMATED FORECLOSURE RATE	TOTAL 90 DAY VACANT RESIDENTIAL ADDRESSES	TOTAL RESIDENTIAL ADDRESSES	ESTIMATED % OF 90 DAY VACANCY RATE	TOTAL HIGH COST 2004 TO 2006 HMDA LOANS	TOTAL 2004 TO 2006 HMDA LOANS	ESTIMATED HIGH COST LOAN RATE	UNEMPLOYMENT RATE	% OF PRICE DECLINE
231300	96	4	53	7.55%	13	110	11.82%	7	26	26.92%	7.43%	-13.25%
232200	2234	83	1177	7.05%	48	2288	2.10%	143	578	24.74%	7.43%	-13.25%
232400	2120	86	1246	6.90%	17	2144	0.79%	147	612	24.02%	7.43%	-13.25%
231200	1524	63	918	6.86%	7	1661	0.42%	106	451	23.50%	7.43%	-13.25%
230800	1761	60	912	6.58%	101	1848	5.47%	98	448	21.88%	7.43%	-13.25%
231800	1536	86	1315	6.54%	10	1625	0.62%	140	646	21.67%	7.43%	-13.25%
232300	1963	65	996	6.53%	37	2040	1.81%	107	489	21.88%	7.43%	-13.25%
230400	1412	69	1061	6.50%	17	1563	1.09%	113	521	21.69%	7.43%	-13.25%
231100	1477	57	878	6.49%	25	1609	1.55%	92	431	21.35%	7.43%	-13.25%
231400	1876	114	1772	6.43%	17	1923	0.88%	186	870	21.38%	7.43%	-13.25%
231500	1736	100	1582	6.32%	9	1767	0.51%	161	777	20.72%	7.43%	-13.25%
230200	1843	107	1715	6.24%	2	1928	0.10%	169	842	20.07%	7.43%	-13.25%
231900	2238	103	1653	6.23%	6	2254	0.27%	162	812	19.95%	7.43%	-13.25%
231000	1509	85	1372	6.20%	12	1586	0.76%	133	674	19.73%	7.43%	-13.25%
231700	1871	111	1804	6.15%	17	2085	0.82%	174	886	19.64%	7.43%	-13.25%
230300	1610	99	1625	6.09%	17	1902	0.89%	153	798	19.17%	7.43%	-13.25%
231600	1749	66	1100	6.00%	9	1989	0.45%	101	540	18.70%	7.43%	-13.25%
230900	3109	118	1969	5.99%	39	3154	1.24%	180	967	18.61%	7.43%	-13.25%
230000	1921	43	745	5.77%	35	2272	1.54%	63	366	17.21%	7.43%	-13.25%
230500	1697	23	411	5.60%	93	1745	5.33%	33	202	16.34%	7.43%	-13.25%
232100	2435	87	1562	5.57%	23	2923	0.79%	124	767	16.17%	7.43%	-13.25%
232000	595	34	623	5.46%	3	748	0.40%	47	306	15.36%	7.43%	-13.25%
230700	1578	75	1405	5.34%	5	1761	0.28%	102	690	14.78%	7.43%	-13.25%
233000	1988	94	1800	5.22%	12	2273	0.53%	125	884	14.14%	7.43%	-13.25%
232500	1313	78	1590	4.91%	3	1429	0.21%	97	781	12.42%	7.43%	-13.25%
230600	3190	173	3704	4.67%	45	5174	0.87%	200	1819	11.00%	7.43%	-13.25%

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-lobbying**. The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction**. The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan**. The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation**. The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3**. The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation**. The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan**. The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months**. The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

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

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

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

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

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

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

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

_____ _____
Signature/Authorized Official Date

_____
Title