



**Department of
Development**

Ted Strickland, Governor
Lee Fisher, Lt. Governor
Director, Ohio Department of Development

December 1, 2008

Jorgelle Lawson, Director
U.S. Department of Housing and Urban Development
Office of Community Planning and Development -- Columbus
200 North High Street
Columbus, Ohio 43215

Subject: ***FY 2008 Ohio Consolidated Plan Amendment/Action Plan for the Neighborhood Stabilization Program***

Dear Ms. Lawson:

Enclosed are the original and four copies of the ***FY 2008 Ohio Consolidated Plan Amendment/Action Plan for the Neighborhood Stabilization Program***. The Ohio Department of Development (ODOD) appreciates receiving a \$116.8 million Neighborhood Stabilization Program allocation and looks forward to working with the U.S. Department of Housing and Urban Development (HUD) throughout the implementation process. We plan to allocate the funds to eligible entities, based on the greatest need, to help stem the decline of house values and stabilize neighborhoods across the state.

To ensure citizen participation during the public comment period, ODOD published notification of the public comment period in 13 newspapers across the state and direct mailed the notification to approximately 1,050 interested persons. In addition, the draft action plan was posted on the following Web site: <http://www.development.ohio.gov/cdd/ohcp/NeighborhoodStabilizationProgram.htm>. The 15-day comment period on the action plan began on November 14, 2008 and ended on November 28, 2008. A summary of the comments received is included in the enclosed document.

After HUD's review and approval of the ***FY 2008 Ohio Consolidated Plan Amendment/Action Plan for the Neighborhood Stabilization Program***, the document will be posted on the same Web site and hardcopies will be made available upon request.

Questions regarding the enclosed document should be directed to Michael Hiler, Office of Housing and Community Partnerships (OHCP) Office Chief, by telephone at (614) 466-2285 or by e-mail at michael.hiler@development.ohio.gov.

Sincerely,



Lee Fisher
Lt. Governor, State of Ohio
Director, Ohio Department of Development

LF/MAH/MD
Enclosures

FY 2008

Ohio Consolidated Plan Amendment

Action Plan for the

Neighborhood Stabilization Program

<p>Jurisdiction: Ohio Department of Development</p> <p>Web Address for NSP Amendment: http://www.development.ohio.gov/cdd/ohcp/NeighborhoodStabilizationProgram.htm</p>	<p>NSP Contact Person: Michael A. Hiler, Office Chief Ohio Department of Development Office of Housing and Community Partnerships (OHCP) 77 South High Street, 24th Floor P.O. Box 1001 Columbus, Ohio 43216-1001 Fax Number: (614) 752-4575 Email Address: Michael.Hiler@development.ohio.gov</p>
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A. AREAS OF GREATEST NEED

The Ohio Department of Development (ODOD) developed a need-based allocation of the Ohio Neighborhood Stabilization Program (NSP) award to local areas using a replication of the nation-to-state U.S. Department of Housing and Urban Development (HUD) formula. The HUD formula calculates states' allocations on the basis of foreclosures, subprime loans, loans in default and delinquent loans – all slightly modified with local vacancy rates in high-cost loan areas.

Data

Need-based allocation data that could be used in the allocation formula were purchased from First America Core Logic (FACL). The dataset contained a monthly inventory of total area loans, foreclosures, subprime loans, default and delinquent loans, as well as monthly counts of loan originations from January 2005 through July 2008. The data sets were provided by loan type (Alt-A, BC, Jumbo Prime and Conforming Prime) and zip code geography.

Secondary needs data were compiled from HUD foreclosure risk indicators by Census block group, Home Mortgage Disclosure Act (HMDA) foreclosure data by county, and 2000 Census housing units by county, place, zip code, and block group. The count of 2000 Census housing units in Census block groups was used to geographically reconstitute zip code foreclosure data to counties and sub-county jurisdictions. United States Postal Service (USPS) vacancy estimates and high-cost loan areas from the HMDA data were used in the 10 percent constraining expression.

Procedures

The first task in arriving at a need-based allocation was to replicate the nation-to-state formula. Data points were derived from the above data sets for Ohio's 88 counties, 35 entitlement cities and those Ohio cities eligible to receive Ohio Small Cities Community Development Block Grant (CDBG) Community Development Program funds (jurisdictional level). The following is a step-by-step procedure used to derive the preliminary allocations:

1. Ascertain the geographic completeness of the combined FACL foreclosure data.
2. Based on 2000 Census housing unit count weighting, disaggregate the zip-code level data to jurisdictional level.
3. Using the FACL data, replicate the HUD nation-to-state allocation formula for state-to-local allocation.
 - a. Numbers of foreclosures and active loans were determined by averaging 18 months of loan inventory data from February 2007 through July 2008. The percent of foreclosures in a jurisdiction was computed as the number of foreclosures in the local area (jurisdiction) divided by the total statewide number of foreclosures. The foreclosure rate (number of foreclosures divided by number of active loans) in each local area was divided by the overall state foreclosure rate to determine a relative foreclosure rate factor. In accordance with the HUD method, factor weights were limited from 0.7 to 1.3. (Weight 0.70)
 - b. The percent of defaults (90 days or more delinquent) and relative default rate factors were computed in the same manner as those for foreclosures as outlined above. (Weight 0.10)

- c. The percent of delinquencies (60-89 days delinquent) and relative delinquency rate factors were computed in the same manner as those for foreclosures as outlined above. (Weight 0.05)
- d. Numbers of subprime loans and total of all loans were determined as the sum of 24 months of loan origination data from January 2005 through December 2006. The percent of subprime loans in a jurisdiction was computed as the number of subprime loans in the local area (jurisdiction) divided by the total statewide number of subprime loans. The subprime loan rate (number of subprime loans divided by number of all loans) in each local area was divided by the overall state subprime loan rate to determine a relative subprime loan rate factor. In accordance with the HUD method, factor weights were limited from 0.7 to 1.3. (Weight 0.15)
- e. USPS vacancy rates in census tracts with 40 percent or more high-cost loans were disaggregated to local area (jurisdictional) level based on Census 2000 housing unit counts. The USPS vacancy rate in each local area (in the high-cost tracts) was divided by the statewide vacancy rate (in the high-cost tracts) to determine a relative vacancy rate factor. In accordance with the HUD method, factor weights were limited from 0.9 to 1.1.

The local area allocation factor was computed as the sum of the weighted products of the factors in parts "a" through "e" above. The initial allocation factors were adjusted to total 100% on a statewide basis.

B. DISTRIBUTION AND USES OF FUNDS

ODOD will allocate \$116,859,223 of Neighborhood Stabilization Program (NSP) funds as follows:

Administrative Funds

- ODOD will allocate approximately 10 percent of the total allocation for administration, with approximately 60 percent of the NSP administrative dollars allocated to award recipients.

Rental Reserve

- ODOD will award 25 percent of Ohio's NSP (\$29,214,900) allocation as a rental reserve through an Affordable Rental Housing Initiative. The Affordable Rental Housing Initiative will encourage the redevelopment of demolished, foreclosed or vacant structures into affordable rental housing serving households with incomes at or below 50 percent of the area median income and provide additional resources to both the Ohio NSP direct award recipients, where vacant rental properties are abundant, as well as in rural communities through a nonprofit organization or a public housing authority.

Balance of Funds Eligible Applicants

- ODOD will compile a list of the 22 entitlement NSP direct recipients, 21 other entitlement cities and Ohio's counties and cities eligible to receive Ohio Small Cities CDBG Community Development Program funds and rank the jurisdictions in order of need based on the formula allocation outlined above.
- ODOD will determine, based on the ranking, if and how much additional funds should be allocated to direct NSP recipients by comparing the amount of funds awarded to the NSP direct recipients by HUD to the amount of need determined by ODOD's need calculations.
- The amount of funds to be allocated to NSP direct recipients by ODOD will then be subtracted from the state of Ohio's balance of funds (\$116,859,223 minus administration minus rental reserve).
- The remaining funds (\$116,859,223 minus administration, minus rental reserve, minus direct NSP additional allocation) will be awarded to Ohio's other eligible jurisdictions, based on ODOD's need calculations, and above \$700,000, an amount selected to ensure impact at the local level.

- If the calculations determine that an eligible jurisdiction's need results in an amount less than \$700,000, ODOD will form collaborative regions based on geographic location and current working relationships. The jurisdictions combined into a region will be required to determine a lead unit of local government. The lead will be required to expend the Ohio NSP funds on eligible activities in the area(s) of greatest need in that region. If a region(s)/jurisdiction is not interested in participating in the Ohio NSP, the funds allocated to that region/jurisdiction will be reallocated to the other Ohio NSP eligible applicants.
- The Ohio NSP funds, except those awarded for the Affordable Rental Housing Initiative, will be awarded through an application process to assist persons/families with incomes at or below 120 percent of the area median income.
- Eligible applicants, including the lead in a region, will then be required to submit an application to express interest in participating in the program; indicate administrative capacity; and provide documentation that the Ohio NSP funds will be used in the areas of greatest need in the jurisdiction/region.
- The NSP formula application will be distributed to the interested, eligible applicants on or about January 15, 2009, with applications due on or about February 27, 2009, and awards will be made on or about April 1, 2009.
- ODOD reserves the right to recapture and reallocate Ohio NSP funds that are not used in a timely or appropriate manner.

Eligible Activities

The following activities will be eligible for funding:

Residential Development

- establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and share equity loans for low- and moderate-income homebuyers;
- purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and property;
- establish land banks for homes that have been foreclosed upon;
- demolish blighted structures; and
- redevelop demolished or vacant properties (including new construction).

Land Banks/Demolition

- establish land banks for homes that have been foreclosed upon; and
- demolish blighted structures.

Affordable Rental Housing Initiative

- 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; and
- redevelop demolished or vacant properties.

C. DEFINITIONS AND DESCRIPTIONS

1. Blighted Structure

Ohio Revised Code Section 1.08 (Blighted Area Defined – Excluded Consideration) defines blighted area/parcel/structure as follows:

(A) “Blighted area” and “slum” mean an area in which at least seventy percent of the parcels are blighted parcels and those blighted parcels substantially impair or arrest the sound growth of the state or a political subdivision of the state, retard the provision of housing accommodations, constitute an economic or social liability, or are a menace to the public health, safety, morals, or welfare in their present condition and use.

(B) “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 remains unpaid thirty-five days after notice to pay has been mailed.

* In jurisdictions without an agency that is responsible for the enforcement of housing, building or fire codes, “blighted” as defined above must be determined by a qualified rehabilitation specialist or local code enforcement officer.

(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.
- (C) When determining whether a property is a blighted parcel or whether an area is a blighted area or slum for the purposes of this section, no person shall consider whether there is a comparatively better use for any premises, property, structure, area, or portion of an area, or whether the property could generate more tax revenues if put to another use.
- (D) (1) Notwithstanding any other provision of this section, absent any environmental or public health hazard that cannot be corrected under its current use or ownership, a property is not a blighted parcel because of any condition listed in division (B) of this section if the condition is consistent with conditions that are normally incident to generally accepted agricultural practices and the land is used for agricultural purposes as defined in section 303.01 or 519.01 of the Revised Code, or the county auditor of the county in which the land is located has determined under section 5713.31 of the Revised Code that the land is "land devoted exclusively to agricultural use" as defined in section 5713.30 of the Revised Code.
- (2) A property that under division (D)(1) of this section is not a blighted parcel shall not be included in a blighted area or slum.

2. Affordable Rents

NSP-assisted rental units must be affordable to households with incomes at or below 50 percent of the area median income, adjusted for family size and county. Owners must calculate affordable rents using the definition of affordable rents for the Low-Income Housing Tax Credit (LIHTC) Program (Section 42(g) of the Internal Revenue Code).

3. Continued Affordability

ODOD will enforce the minimum continued affordability requirements defined by the HOME Investment Partnerships Program final rule (24 CFR 92.252 and 92.254) for the Ohio NSP-funded residential development projects.

Projects receiving rental assistance will have a 30-year affordability period. An exception will be provided for projects involving the sale of the units to eligible residents after the 15th year in the compliance period. Rent and income restrictions will be enforced through a restrictive covenant land use agreement. Existing procedures in place for the LIHTC Program and Housing Development Assistance Program (HDAP) to monitor compliance with the restrictions will be implemented, including annual certification reports from the owners and routine, on-site file and physical inspections by qualified staff.

4. Housing Rehabilitation Standards

Ohio NSP award recipients must comply with ODOD **Housing Handbook Part II – 2008 Residential Rehabilitation Standards (RRS)**, which is posted on <http://www.development.ohio.gov/cdd/ohcp/publications.htm>. In addition, for housing rehabilitation of pre-1978 structures, Ohio NSP award recipients must comply with applicable state and federal laws, rules and regulations governing the testing and treatment of lead-based paint, including disclosures to residents/buyers; and the ODOD lead-based paint policy included in the **FY 2008 Ohio Consolidated Plan**, which is also posted on <http://www.development.ohio.gov/cdd/ohcp/publications.htm>.

Exceptions:

- If local housing codes are more stringent than the RRS, Ohio NSP award recipients must comply with the local housing code standard.
- If the Ohio NSP award recipient is currently a HUD Community Development Block Grant (CDBG) Program Entitlement Community and/or a HOME Program Participating Jurisdiction and is administering a housing rehabilitation program funded through the CDBG/HOME Programs, the Ohio NSP award recipient may use *either* the locally adopted standards *or* the RRS when implementing the Ohio NSP locally. However, if the local standards will be used to implement the Ohio NSP, the Ohio NSP award recipient must submit a copy of the standards to ODOD at the address listed on page one of this document.

ODOD will encourage energy efficiency standards, such as the Leadership in Energy and Environmental Design Green Building Rating System or the Enterprise Green Communities Initiative.

D. LOW-INCOME TARGETING

ODOD will award 25 percent of Ohio's NSP (\$29,214,900) as a rental reserve through an Affordable Rental Housing Initiative. The Affordable Rental Housing Initiative will encourage the redevelopment of demolished, foreclosed or vacant structures into affordable rental housing serving households with incomes at or below 50 percent of the area median income and provide additional resources to both the Ohio NSP direct award recipients, where vacant rental properties are abundant, as well as in rural communities, through a nonprofit organization or a public housing authority.

E. ACQUISITION & RELOCATION

ODOD will mitigate the loss of low- and moderate-income housing units demolished, rehabilitated or converted with Ohio NSP funds by requiring housing units to be vacant at least 90 days prior to the purchase of a unit for demolition, rehabilitation or conversion. In addition, Ohio NSP award recipients may only acquire property through voluntary acquisition, and a voluntary acquisition form must be signed by the seller, indicating that the property was offered for sale willingly, that the transition did not involve the use of eminent domain and the property's value was properly appraised.