

State of Arkansas

ARKANSAS DEVELOPMENT FINANCE AUTHORITY



CONSOLIDATED PLAN AMENDMENT 2005 -2009

DRAFT ACTION PLAN FOR THE
NEIGHBORHOOD STABILIZATION PROGRAM

NOVEMBER 2008

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): State of Arkansas Arkansas Development Finance Authority	NSP Contact Person: Sara Braswell Address: Arkansas Development Finance Authority 423 Main Street, Suite 500 Little Rock, AR 72203
Jurisdiction Web Address: http://www.arkansas.gov/adfa	Telephone: (501) 682-5900 Fax: (501) 682-5859 Email: sbraswell@adfa.state.ar.us

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.

ADFA Response:

The NSP is administered by the U.S. Department of Housing and Urban Development ("HUD") and is considered a special Community Development Block Grant ("CDBG") allocation. Arkansas is expected to receive \$19,600,000 for the 2009 Program Year, contingent upon approval by HUD. Arkansas Finance Development Authority ("ADFA"), the housing agency for the state of Arkansas, has been designated as administrator of any NSP funds allocated to Arkansas.

In determining areas of greatest need, which will be the target locations for distribution of NSP funds under this Substantial Amendment, ADFA relied upon data provided by:

- 1) Local Initiatives Support Corporation ("LISC") published at: <http://www.housingpolicy.org/foreclosure-response.html#zip>; and
- 2) Department of Housing and Urban Development ("HUD") published at: http://www.huduser.org/publications/commdevl/nsp_foreclosure_data.htm.

LISC analyzed the requisite factors to determine the areas of greatest need, including (1) areas with the greatest percentage of home foreclosures; (2) areas with the highest percentage of homes financed by a subprime mortgage-related loan; and (3) areas likely to face a significant rise in the rate of home foreclosures. LISC additionally analyzed the delinquency rate of loans. LISC utilized such data, by U.S. Postal Service zip code, to calculate an Intrastate Foreclosure Needs Score (“Needs Score”). This data was gathered and analyzed for the specific purpose of identifying those areas in each state that were in greatest need as defined by NSP. This data is published at: <http://www.housingpolicy.org/foreclosure-response.html>) A detailed description of the methodology utilized by LISC in determining the Needs Score can be reviewed at: http://www.housingpolicy.org/assets/foreclosure-response/methodology_11-04-08_ZIP.pdf.

The Needs Score for areas in Arkansas range from 0 to 100, with a median score of 0.90. ADFA has determined a minimum Needs Score of 1.0 to indicate the areas of greatest need. Using LISC’s Needs Score by U.S. Postal Service zip code area, ADFA has established the following as areas of greatest need (“Priority Areas”), translated into priority points:

Level 1 - U.S.P.S. zip code areas with <i>INF</i> score = 10.0	15 priority points
Level 2 - U.S.P.S. zip code areas with <i>INF</i> score = 3.0 but = 9.9	10 priority points
Level 3 - U.S.P.S. zip code areas with <i>INF</i> score = 1.0 but = 2.9	5 priority points

In addition, ADFA has designated additional areas of need, translated into additional priority points as indicated next, to be those 15 counties in Arkansas, identified by HUD, with the highest number of foreclosures (“Priority Counties”).

Category A - Arkansas counties with 1000 or more foreclosures: Benton County; Pulaski County; and Washington County	10 priority points
Category B - Arkansas counties with 500-999 foreclosures: Craighead County; Garland County; Saline County and Sebastian County	7 priority points
Category C - Arkansas counties with 300-499 foreclosures: Boone County; Crawford County; Crittenden County; Faulkner County; Jefferson County; Lonoke County; Mississippi County; and White County	5 priority points

NSP funds will be directed to the above-identified areas and counties of greatest need by allocation of points, which is addressed in Section B, *infra*.

Applicants applying for projects located in one of the state’s 14 entitlement communities should review that community’s Consolidated Plan to ensure the project is consistent with the goals of that community. The entitlement cities in Arkansas are as follows: Bentonville, Conway, Fayetteville, Fort Smith, Hot Springs, Jacksonville, Jonesboro, Little Rock, North Little Rock, Pine Bluff, Rogers, Springdale, Texarkana, and West Memphis. The contact information for these communities may be found at www.hud.gov/local/ar/community/cdbg/index.cfm

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.

ADFA Response:

ADFA will distribute NSP funds on a competitive basis. Applicants must submit an application to ADFA in accordance with guidelines to be established by ADFA. ADFA Housing Staff will review and score all applications according to the *Proposed Scoring Criteria*, attached hereto as Appendix A and incorporated herein by reference. ADFA Housing Staff will, based upon such review and scoring, submit its recommendation to ADFA's Board of Directors which will make the final decision. Points will be given to each application based upon (1) Need; (2) Capacity; (3) Financing; (4) Quality of Plan; (5) Ultimate Neighborhood Stabilization Goals; and (6) Time of Performance, See, *the Proposal Scoring Criteria at Appendix A, for greater detail.*

Applicants proposing to utilize NSP funds for an eligible use in a Priority Area or Priority County will receive a "Need" score corresponding to the eligible use location as discussed above. Eligible uses, to be located in areas not within a Priority Area or a Priority County, will still be reviewed for an award of NSP funds but will not receive an allocation of points for "Need". Any such application will be scored based upon the remaining five categories set forth in the *Proposal Scoring Criteria at Appendix A*. However, to be considered for NSP funds, any such application must, in addition to all other application requirements set forth by ADFA, provide ADFA with an explanation of why a need exists in the area of the proposed use. Applicants must submit to ADFA documentation establishing such need.

Allocation of points as described above will, assuming all other point categories are constant, prioritize eligible uses within the areas of Arkansas with the (1) greatest percentage of home foreclosures; (2) highest percentage of homes financed by a subprime mortgage-related loan; and (3) highest likelihood to face a significant rise in the rate of home foreclosures. ADFA believes that the above-described allocation of points based upon Priority Areas and Priority Counties will effect the purpose of NSP to stabilize neighborhoods most affected by foreclosure, subprime loans and the risk of foreclosure by, in part, returning foreclosed and abandoned properties to the market. The consideration of both location factors will ensure that NSP funds are targeted to eligible uses to benefit those areas of greatest need within those counties of greatest need.

Thus, for example, an application to acquire and rehabilitate property in the zip code area of 72756 (Rogers) will receive 15 points, because, with a Needs Score of 13.2, it is a **Level 1** Priority Area. Because the area is also located within a **Category A** Priority County, the application will receive 10 points. Therefore, the application will receive a total Needs Score of 25 points, the maximum available. If an application to acquire and rehabilitate property in Benton County proposes an eligible use that will not be located in a Priority Area within Benton County, such application will receive a total of 10 points for Need based only upon the county's status as a **Category A** Priority County. If an application to acquire and rehabilitate property in the 72150 zip code area (Sheridan) of Grant County, which has a LISC score of 9.1 and thus is a **Level 2** Priority Area, such application will receive a total of 10 points for Need, as Grant County is not a Priority County.

In addition to Need, applications will be reviewed for and scored on capacity, financing, quality of the plan, ultimate neighborhood stabilization goals and time of performance. These criteria are fully set forth and described in the *Proposal Scoring Criteria at Appendix A*. However, all applications are subject to the approval of ADFA's Board of Directors and the Board has absolute discretion to grant or deny any application regardless of the score given to the application by ADFA's Housing Staff.

ADFA will distribute NSP funds for the following "eligible uses":

1. Acquisition of abandoned and foreclosed properties;
2. Rehabilitation of acquired abandoned and foreclosed properties;
3. Demolition of blighted abandoned and foreclosed structures acquired using NSP funds;
4. Reasonable developer's fees related to NSP-assisted housing rehabilitation or construction activities;
5. New construction;
6. Sale of residential properties acquired or acquired/rehabilitated using NSP funds;
7. Rental of residential properties acquired or acquired/rehabilitated using NSP funds;
8. Payment of reasonable down payment and closing cost assistance;
9. Interest rate buy-down for fixed-rate first mortgages for eligible purchasers;
10. General administration and planning activities.
11. Provide mortgage counseling to all purchasers of properties constructed, acquired or acquired/rehabilitated with NSP funds.

The eligible uses referenced above are more fully described and terms defined in Section G, *infra*.

Eligible Applicants

The NSP funding is available statewide to any unit of local government, nonprofit organization, public housing authority, or private developer. Priority will be given to applicants proposing a project located in an area meeting the criteria established for greatest needs.

Allocation Amounts

ADFA anticipates that the amount of funds that can be applied for and approved will vary with population and need of the area. ADFA reserves the right to adjust contracted amounts based upon actual performance and progress to use the funds within the initial 18 months of the program.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “Blighted Structure” in context of state or local law.

ADFA Response:

The definition of a “blighted structure” for purposes of the CDBG Neighborhood Stabilization Program is as follows: A structure shall be defined as blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

The Arkansas Code does not provide a definition of a “blighted structure.” However, in the statutory area of “Community Development”, the Code does define a “blighted area” as “an area in which the structures, buildings, or improvements, by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for access, ventilations, light, air, sanitation, or open spaces, high density of population, and overcrowding or the existence of conditions which endanger life or property, are detrimental to the public health, safety, morals, or welfare.” Ark. Code Ann. § 24-168-301(3)(A).

(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.

ADFA Response:

“Affordable Rents” is defined as rents that are at or below the Fair Market Rent (FMR) levels as determined by the U.S. Department of Housing and Urban Development (HUD) per county. (Note: Fair Market Rents include utilities, therefore if a tenant is paying their own utilities, the Utility Allowance published by the local Public Housing Authority (PHA), must be deducted from the maximum FMR). For purposes of the NSP, “affordable rents” shall be in accordance with the HOME Program Rents and FMRs as delineated in the HOME Investment Partnerships Program. The “affordable rents” are as follows:

- Beneficiaries whose total household income is = 50% of AMI – Low HOME Rent
- Beneficiaries whose total household income is 50% - 60% of AMI – High HOME Rent
- Beneficiaries whose total household income is 60% - 120% of AMI – FMR

NSP-assisted units must meet rent and occupancy restriction requirements. Gross rents which include utility costs will be restricted such that households will pay the lesser of:

- 1) Thirty (30%) percent of their gross income for rent, including utilities;
- 2) Applicable fair market rent; or
- 3) HOME Program rents for persons at or below 50 percent of AMI.

Note: *Affordable rent limits and area median incomes are recalculated on an annual basis by HUD.*

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

ADFA Response:

HUD requires that states ensure, to the maximum extent practicable for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI). The affordability requirements apply without regard to the term of any loan or mortgage or transfer of ownership. They must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by ADFA. If NSP funds are used in conjunction with other affordable housing programs (i.e., Low-Income Housing Tax Credits) the most stringent affordability requirements shall apply. NSP project applicants (i.e., cities, counties, nonprofits, and private developers) must maintain copies of the recorded instruments in their project files.

NSP-assisted units must meet the affordability requirements for not less than the applicable period specified in the following tables, beginning after project completion (defined as receipt of Certificate of Occupancy and/or ADFA final inspection):

HOME BUYER

NSP Assistance Amount Per Unit	Minimum Affordability Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years

NSP homebuyer assistance will be provided as a forgivable loan at zero percent (0%) interest to eligible beneficiaries. The homebuyer(s) must continue to own and occupy the dwelling as their principal residence for the full applicable affordability period. The Owner will execute lien documents listing the applicable pro rata amount of total NSP funds invested in the property. Such documentation shall provide that ADFA will be repaid that portion of NSP funds relative to the outstanding affordability period if, within the applicable affordability period, the property is sold or otherwise transferred to any purchaser or transferee. In the event the property is sold or otherwise transferred to any purchaser during the affordability period, ADFA will recapture that amount of **NSP funds** unforgiven during the elapsed affordability period from the net proceeds from the sale of the property. If net proceeds are not sufficient to recapture the full **NSP** investment or reduced amount per lien documents, ADFA will share the net proceeds.

RENTAL

NSP Assistance Amount Per Unit	Minimum Affordability Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years
New Construction or acquisition of newly constructed RENTAL housing	20 years

At least 25 percent (25%) of NSP funds allocated shall be utilized to provide eligible assistance to individuals and families whose incomes do not exceed fifty percent (50%) of area median income, adjusted for family size. The percentage of very low-income residential units (those units whose tenant’s income is =50% of area median income) must be based on the percentage the NSP funds are to the total development cost of the eligible use. The remaining residential rental units in such eligible use cannot exceed 120% of the area median income.

Rent, occupancy, and affordability requirements for homebuyer and rental units will be enforced with covenants, mortgages, or deed restrictions running with the property.

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

ADFA Response:

Housing that is rehabilitated or constructed with NSP funds shall, upon completion, meet or exceed all applicable minimum housing code and accessibility standards, as established by ADFA, and all state and local housing, State Model Energy Code, zoning, fire, and building codes, as amended. In addition, all housing assisted with NSP funds shall be maintained in compliance with all applicable minimum housing code standards, as established by ADFA, and all state and local housing, zoning, fire, and building codes, as amended, for the full term of the required affordability period. In the absence of local building codes, NSP-assisted structures must meet, as applicable the building standards outlined in the International Code Council (ICC).

The ADFA Minimum Design Standards and the ADFA HOME Program General Specifications/Performance Manual describe rehabilitation standards established by the agency. These standards can be found on ADFA's website at www.arkansas.gov/adfa, Publications and Forms link.

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.

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.

ADFA Response:

The State of Arkansas estimates that the 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 (AMI) will be at least **\$4,900,000**. The requirement for low-income targeting will be accomplished primarily through rental housing activities. However, ADFA also anticipates assisting households in the 50% AMI and below category for homebuyer activities.

In the event ADFA does not receive proposals totaling at least 25% of the NSP funds (\$4,900,000) for this population group as required by statute, ADFA may choose to solicit additional applications, modify loan requests, and/or identify other eligible projects that meet the 50% of AMI 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.**

ADFA Response:

HUD has issued, in conjunction with NSP regulations, an alternative requirement that NSP awardees will not be required to meet the requirements of 42 U.S.C 5304(d), as implemented at 24 CFR 42.375, to provide one-for-one replacement of low and moderate-income dwelling units demolished or converted in connection with activities assisted with NSP funds. For planning purposes, ADFA has estimated a total of 54 units to be demolished, including both multifamily and single-family units. At this time, it is not possible for the State to determine the exact number of low and moderate-income units that may be demolished. However, ADFA will require each applicant to indicate whether any of their proposed activities will involve demolition or conversion of low and moderate-income dwelling units (i.e., =80% of AMI).

If an applicant states in their proposal demolition of low and moderate-income units is anticipated, the following information will be required to be provided for each applicable activity (including a proposed time schedule for commencement and completion):

- The number of low and moderate-income dwelling units (i.e., = 80% of AMI) 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 AMI); and
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50% of AMI.

F. PUBLIC COMMENT

ADFA Response:

This section will include a summary of public comments received regarding the proposed NSP Substantial Amendment. The comments will be added as part of the final document for submission to HUD.

Persons who would like to comment on this amendment may send those comments to Sara Braswell, Vice President for Housing, Arkansas Development Finance Authority, P.O. Box 8023, Little Rock, Arkansas 72203 or sbraswell@adfa.state.ar.us. Comments must be received by Friday, November 28, 2008.

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

This section contains the State of Arkansas' (i.e., ADFA) summary of each activity anticipated for NSP funds. There is a separate page for each activity.

(1) Activity Name: **Financing Mechanisms**

(2) Activity Type: NSP Activity (a); CDBG Eligible Activity 24 CFR 570.206 Delivery Costs, 24 CFR 570.201 (n) Direct homeownership assistance (as modified)

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).

(4) Activity Description:

Funds will be made available for eligible activities to include acquisition, rehabilitation and redevelopment of demolished housing. Activities will be funded in the form of loans, soft second mortgages, interest rate subsidies and other eligible mechanisms to foster homeownership and rental housing opportunities for low, moderate, and middle-income households. The standard interest rate for NSP funds will be at zero percent. It is anticipated the terms of the NSP loans will facilitate families at or below 50% of AMI access to affordable housing.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications

(6) Performance Measures

The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the creation of affordable housing units within the applicable income categories ranging from 120% of AMI and below.

(7) Total Budget: See Appendix for Total Budget

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

ADFA intends to loan the funds at an interest rate of zero percent with terms commensurate with the length of affordability for rental projects. On homebuyer projects, NSP funds will be loaned at zero percent interest with repayment due upon sale of each unit. In the event a rental property is sold during the affordability period, ADFA shall be paid For financing to assist

buyers, it is anticipated NSP funds will be utilized in some instances to reduce the permanent financing interest rate to a level that is affordable in accordance with FHA ratios and lending criteria.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

- (1) Activity Name: **Acquisition and Rehabilitation (Single Family)**
- (2) Activity Type: NSP Activity (B); CDBG Eligible Activity 24 CFR 570.201(a)
Acquisition and (b) Disposition
- (3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).
- (4) Activity Description:
ADFA anticipates the majority of the funds to be directed into this activity for homeownership. The properties acquired/rehabilitated will be made available to income-eligible buyers and tenants. Through ADFA's network of approved lending institutions, the funds can be combined with permanent financing to assist eligible homebuyers
- (5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications
- (6) Performance Measures
The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the number of units acquired within the applicable income categories ranging from 120% of AMI and below. It is anticipated there will be a minimal number of beneficiaries at the 50% of AMI level acquiring homes, while the majority of persons in this income category will be assisted through rental activities.
- (7) Total Budget: \$4,570,000; Projected Units - 55
- (8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing
- (9) Projected Start Date: February 6, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements:
ADFA will require that the aggregate purchase of all properties be at least ten percent (10%) if a methodology is used whereby the discount is equivalent to the total carrying costs expected to be incurred by the seller if the property were not purchased with NSP funds, provided the discount is at least five percent (5%) or the minimum average discount must be at least fifteen (15%). All properties acquired using NSP funds shall be appraised in conformity with the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 by a licensed appraiser within sixty (60) days prior to an offer to purchase the property.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

ADFA intends to loan the funds to applicants at an interest rate of zero percent with terms commensurate with the length of affordability or payment due upon sale for homebuyer activities.

(1) Activity Name: **New Construction (Single Family)**

(2) Activity Type: NSP Activity (E); CDBG Eligible Waiver per HUD Notice for NSP

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).

(4) Activity Description:

ADFA anticipates the majority of the funds to be directed into this activity for homeownership. The properties acquired/rehabilitated will be made available to income-eligible buyers. Through ADFA's network of approved lending institutions, the funds can be combined with permanent financing to assist eligible homebuyers

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications

(6) Performance Measures

The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the construction of single-family dwellings by redeveloping demolished or vacant or blighted properties. The outcome measurements for this activity will be the number of units acquired within the applicable income categories ranging from 120% of AMI and below. It is anticipated there will be a minimal number of beneficiaries at the 50% of AMI level acquiring homes, while the majority of persons in this income category will be assisted through rental activities.

(7) Total Budget: \$4,540,000; Projected Units - 55

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

The properties that will be used for new construction activities will be sites on which demolition occurred or vacant properties. It is anticipated this activity will assist families above the 50% of AMI level. ADFA anticipates the majority of the funds to be directed into this activity for homeownership. The properties will be made available to income-eligible buyers. Through ADFA's network of approved lending institutions, the funds can be combined with permanent financing to assist eligible homebuyers.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the

requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

ADFA intends to loan the funds at an interest rate of zero percent to developers constructing units with NSP funds.

(1) Activity Name: **Acquisition and Rehabilitation (Rental)**

(2) Activity Type: NSP Activity (B); CDBG Eligible Activity 24 CFR 570.201(a)
Acquisition and (b) Disposition

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).

(4) Activity Description:

It is anticipated that nonprofit and for profit developers will be the primary entities requesting funds for the acquisition and rehabilitation of rental properties. Rental properties assisted with NSP funds will adhere to affordability requirements consistent with the HOME Program affordability requirements outlined in this document. ADFA anticipates the majority of the beneficiaries for this activity will be those families at or below 50% of AMI. ADFA will require each rental development to set-aside that percentage of residential units at or below 50% of the area median income as represented by the percentage the NSP funds are to the total development cost of the eligible use.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications

(6) Performance Measures

The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the leasing of units assisted with NSP funds. The outcome measurements for this activity will be the number of units assisted within the applicable income categories ranging from 120% of AMI and below.

(7) Total Budget: \$3,500,000; Projected Units - 40

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

ADFA will require all applicants to acquire the aggregate purchase of all properties be at least ten percent (10%) if a methodology is used whereby the discount is equivalent to the total carrying costs expected to be incurred by the seller if the property were not purchased with NSP funds, provided the discount is at least five percent (5%) or the minimum average discount must be at least fifteen (15%). All properties acquired using NSP funds shall be appraised in conformity with the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 by a licensed appraiser within sixty (60) days prior to an offer to purchase the property.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

ADFA intends to loan the funds for rental activities at an interest rate of zero percent with terms commensurate with the length of affordability.

(1) Activity Name: **New Construction (Rental)**

(2) Activity Type: NSP Activity (E); CDBG Eligible Activity Waiver per HUD Notice for NSP

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).

(4) Activity Description:

It is anticipated that nonprofit and for profit developers will be the primary entities requesting funds for the new construction of rental properties. Rental properties assisted with NSP funds will adhere to affordability requirements consistent with the HOME Program affordability requirements outlined in this document. ADFA anticipates the majority of the beneficiaries for this activity will be those families at or below 50% of AMI. ADFA will require each rental development to set-aside that percentage of residential units at or below 50% of the area median income as represented by the percentage the NSP funds are to the total development cost of the eligible use.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications

(6) Performance Measures

The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the leasing of units assisted with NSP funds. The outcome measurements for this activity will be the number of units assisted within the applicable income categories ranging from 120% of AMI and below.

(7) Total Budget: \$3,500,000; Projected Units - 40

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
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Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

ADFA will require that the aggregate purchase of all properties be at least ten percent (10%) if a methodology is used whereby the discount is equivalent to the total carrying costs expected to be incurred by the seller if the property were not purchased with NSP funds, provided the discount is at least five percent (5%) or the minimum average discount must be at least fifteen (15%). All properties acquired using NSP funds shall be appraised in conformity with the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 by a licensed appraiser within sixty (60) days prior to an offer to purchase the property.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

ADFA intends to loan the funds at an interest rate of zero percent with terms commensurate with the length of affordability.

(1) Activity Name: **Demolition of Blighted Structures**

(2) Activity Type: NSP Activity (D); CDBG Eligible Activity 24 CFR 570.201
Clearance for blighted structures only

(3) National Objective: Demolition of Blighted structures to be replaced by housing units for low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income) through immediate redevelopment for homeownership or rental activities.

(4) Activity Description:

The properties demolished with NSP funds will be blighted structures as defined in this document which have been foreclosed. This activity will be limited to projects that will redevelop the site(s) for affordable housing. While these funds will not provide a direct benefit to households at or below 50% of AMI, the blight removal will allow the redevelopment which will subsequently assist families ranging from 50% to 120% of AMI.

ADFA is unable to determine at this time if any of the anticipated demolition will impact low to moderate-income housing units. While NSP activities are not subject to one-for-one replacement, ADFA projects that approximately 54 units will be demolished and replaced with almost an equal number of affordable housing units.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined upon receipt and approval of applications

(6) Performance Measures

The objective of this activity is to provide decent, safe, and affordable housing to low, moderate and middle-income families through the demolition of redevelopment of affordable housing units. The outcome measurements for this activity will be the creation of affordable housing of units assisted for families within the applicable income categories ranging from 120% of AMI and below.

(7) Total Budget: \$1,500,000; Projected Units - 54

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

ADFA will require all applicants that request funds for demolition to include in their proposal the number and type of units that will be developed on the site(s) for low, moderate and middle-income families. The aggregate purchase of all properties be at least ten percent (10%) if a methodology is used whereby the discount is equivalent to the total carrying costs expected to

be incurred by the seller if the property were not purchased with NSP funds, provided the discount is at least five percent (5%) or the minimum average discount must be at least fifteen (15%). All properties acquired using NSP funds shall be appraised in conformity with the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 by a licensed appraiser within sixty (60) days prior to an offer to purchase the property.

All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. The duration of any affordability period will meet the requirements of Section C (Definitions and Descriptions) of this document and will range from five (5) to twenty (20) years dependent upon the amount of NSP funds invested per unit.

ADFA intends to loan the funds at an interest rate of zero percent with terms commensurate with the length of affordability for the redeveloped units.

(1) Activity Name: **Housing Counseling**

(2) Activity Type: NSP Activity (E); CDBG Eligible Activity 24 CFR 570.201(e)
Public Services

(3) National Objective: Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice (= 120% of area median income).

(4) Activity Description:

ADFA anticipates a small share of funds to be directed into this activity specifically for homeownership activities. The households receiving this counseling will include only homeowners purchasing homes that were assisted with NSP funds. The beneficiaries are required to receive at least eight (8) hours of counseling from a HUD-approved counseling agency. It is anticipated that a limited number of families at 50% of AMI or below will be assisted by this activity. ADFA maintains a list of approved counseling agencies that is available at: www.arkansas.gov/adfa.

(5) Location Description: To be determined upon approval of applications

(6) Performance Measures: Number of persons/families assisted

(7) Total Budget: \$30,000

(8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing

(9) Projected Start Date: February 6, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

Public services for housing counseling will be limited to beneficiaries that are prospective purchasers or tenants of the redeveloped properties. Counseling agencies must provide evidence they are certified by HUD and/or ADFA to provide such services. Persons receiving counseling services must be income-eligible to receive NSP assistance. It is anticipated the primary recipients of counseling services will those families pursuing homeownership. The services will be provided at no cost to the beneficiaries with fees being paid by ADFA to the counseling agency.

- (1) Activity Name: **Administration**
- (2) Activity Type: NSP Activity per HUD Notice – Federal Register dated October 6, 2008, Section II Part H 4; CDBG Eligible Activity 24 CFR 570.206
(a) Administration – General Management and Oversight
- (3) National Objective: N/A
- (4) Activity Description:
Administrative funds related to carrying out the NSP Program will be available to both the State and local units of government. Other entities, including nonprofit and for profit developers will be allowed a developer's fee (not to exceed ten percent of NSP funding) in conjunction with their projects.
- (5) Location Description: To be determined upon approval of applications from local govts.
- (6) Performance Measures: N/A
- (7) Total Budget: \$1,960,000
- (8) Responsible Organization: Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72203
Mac Dodson, President
Sara Braswell, Vice President for Housing
- (9) Projected Start Date: February 6, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements:
Administrative costs are reasonable costs of state and local governments to meet the requirements of the NSP, including but not limited to general management and oversight, providing public information, technical support services, and assuring fair housing activities. All subrecipient administrative funds must be drawn down on a pro-rata basis equal to the percentage of funds obligated by the sub-grantee.

APPENDIX A
PROPOSAL SCORING CRITERIA

NEED:

25

In determining areas of greatest need ADFA will rely upon data provided by:

- 1) Local Initiatives Support Corporation (“LISC”) published at: <http://www.housingpolicy.org/foreclosure-response.html#zip>; and
- 2) Department of Housing and Urban Development (“HUD”) published at: http://www.huduser.org/publications/commdevl/nsp_foreclosure_data.htm.

Scoring will be according to the following two tables:

PRIORITY AREA - LISC’s Intrastate Foreclosure Needs Score by U.S. Postal Service zip code area

Level 1 - U.S.P.S. zip code areas with <i>INF</i> score = 10.0	15 priority points
Level 2 - U.S.P.S. zip code areas with <i>INF</i> score = 3.0 but = 9.9	10 priority points
Level 3 - U.S.P.S. zip code areas with <i>INF</i> score = 1.0 but = 2.9	5 priority points

PRIORITY COUNTY - HUD’s Arkansas County (AR County.xls) foreclosures

Category A - Arkansas counties with 1000 or more foreclosures: Benton County; Pulaski County; and Washington County	10 priority points
Category B - Arkansas counties with 500-999 foreclosures: Craighead County; Garland County; Saline County and Sebastian County	7 priority points
Category C - Arkansas counties with 300-499 foreclosures: Boone County; Crawford County; Crittenden County; Faulkner County; Jefferson County; Lonoke County; Mississippi County; and White County	5 priority points

Examples:

- An application to acquire and rehabilitate property in the zip code area of 72756 (Rogers) will receive 15 points, because, with a Needs Score of 13.2, it is a **Level 1** Priority Area. Because the area is also located within a **Category A** Priority County, the application will receive 10 points. Therefore, the application will receive a total Needs Score of 25 points, the maximum available.
- An application to acquire and rehabilitate property in Benton County proposes an eligible use that will not be located in a Priority Area within Benton County, such application will receive a total of 10 points for Need based only upon the county’s status as a **Category A** Priority County.
- an application to acquire and rehabilitate property in the 72150 zip code area (Sheridan) of Grant County, which has a **Level 2** LISC score of 9.1 and thus is a Priority Area, such application will receive a total of 10 points for Need, as Grant County is not a Priority County.

**CAPACITY:
25**

All points awarded for “capacity” will be based on the experience and credentials provided in the proposal for ALL persons working on NSP-assisted activities. If the applicant or development team has successfully completed the same or similar affordable housing activities in the past, it is possible to score ALL 25 points. Less relevant experience, successful completion of different affordable housing activities, different composition of development team and fewer or less relevant qualifications of applicants will receive lesser points.

**FINANCING:
20**

All points awarded for “financing” will be based on the firm financial commitments provided in the proposal, the amount, availability, and terms of such financing, the degree to which NSP funds are leveraged with other financial resources, and the extent to which the proposal uses NSP funds to make an impact in stabilizing neighborhoods. Any proposal which omits firm financial commitments for the type of activity proposed will receive no points, will be considered as not financially feasible, and will not be considered for an allocation of NSP funds. Any points awarded will be based on the strength of the firm financial commitments, any advantageous terms of financing, the ratio of leveraged funds to requested NSP funds, and relevant sources of funding which substantially contribute to neighborhood stabilization efforts.

**QUALITY OF PLAN:
10**

All points awarded under this scoring criteria will be based on the overall feasibility of planned activities, the extent of need exhibited by the proposal and the extent to which those identified needs are addressed by the proposal, the selection of eligible activities appropriate to the planned neighborhood stabilization efforts, the comprehensive nature of the planned activities and the likelihood the activities will result in the planned outcomes, and the inclusion of appropriate entities to complete the planned activities. For proposals that include the sale of assisted properties to qualifying individuals and families, the availability of appropriate homebuyer counseling classes, the pre-sale of planned assisted units, and the availability of affordable first mortgage financing including downpayment assistance.

**ULTIMATE NEIGHBORHOOD STABILIZATION GOALS:
10**

All points awarded under this scoring criteria will be based on the level of expected production and outcomes which result in increased neighborhood stabilization. Included in this scoring criteria will be the number of assisted units as compared to the number of

units needing assistance in a defined area, the level and type of assistance which ensures continued affordability, the partnering of various entities to provide additional supportive housing services where needed, and the planned activities necessary to maintain stable neighborhoods for the applicable period of affordability.

TIME OF PERFORMANCE:

10

All points awarded under this scoring criteria will be based on how realistic the established time frames are for implementing and completing the proposed NSP-assisted activities, the anticipated start date of NSP-assisted activities and the applicant's readiness to proceed, the demonstrated ability of the applicant to meet or exceed the projected time frames, the inclusion of extra time for unknown contingencies and delays, and the expected ability of the applicant to successfully complete all planned activities and fully expend all NSP funds within four (4) years.

THE MAXIMUM POINTS AVAILABLE FOR ANY PROPOSAL IS 100 POINTS

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