

Grant B-08-MN-22-0001

Grantee Name: Baton Rouge, LA

Grant Amount: \$2,308,848

Award Date: March 19, 2009

Obligation Date: September 19, 2010

SUMMARY

As revised under Plan Amendment submitted October 3, 2011, the City of Baton Rouge-parish of Baton Rouge's NSPI grant shall be used as follows:

ACTIVITIES

ACTIVITY G.1: Rental Housing, acquisition and rehabilitation of up at least four (4) units reserved for <50%AMI tenants an NSP cost of up to \$564,963 under contract with HIV/AIDS Alliance for Region Two (HAART).

ACTIVITY G.2: Owner-Occupied Single Family Housing, construction of at least eight (8) units reserved for <50%AMI buyers at an NSP cost of up to \$910,000 under contract with Habitat for Humanity.

ACTIVITY G.5: Land Bank operations at an NSP cost of up to \$603,000 under contract with the East Baton Rouge Redevelopment Authority.

Administration up to \$230,885.

On July 26, 2008, Congress passed House Resolution 3221 known as the Housing and Economic Recovery Act of 2008 or HERA, setting aside \$3.92 billion to provide assistance for the redevelopment of abandoned and foreclosed residential properties, and providing for the Secretary of Housing and Urban Development to establish the formula allocation through which to fund states and units of general local government with the greatest needs, such needs to be determined by the Secretary. On September 26, 2008, the Department of Housing and Urban Development (HUD) released its allocation methodology along with the list of states and local governments to receive assistance and how much each would be eligible for. Baton Rouge's allocation is \$2,308,848. Louisiana's statewide allocation was \$34,183,994. Baton Rouge and New Orleans each received allocations of their own, New Orleans' being \$2,302,208.

On September 29, the Federal Register published and released HUD's notice for implementing its newly created program under the act, to be known as the Neighborhood Stabilization Program. Permissible uses include:

- Establishing financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.
- Purchase and rehabilitation of homes and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop said homes and properties.
- Demolition of blighted structures.
- Establishment and maintenance of land banks.
- Redevelopment of abandoned or foreclosed property.

A. AREAS OF GREATEST NEED

HUD NSP rules require that the City-Parish provide summary needs data for the jurisdiction and which identifies the geographic areas of greatest need within the jurisdiction. For the purposes of identifying overall needs and those areas of greatest need, the following are the primary data sources utilized:

1. HUD data, including foreclosure and abandonment risk scoring, that was generated by HUD to assist states and localities in targeting areas of greatest need.
2. Needs as identified in the City-Parish's most recent HUD-approved Consolidated Plan and Strategy (CPS). The current CPS is for the 5-year period encompassing 2005 through 2009 program year activities and Annual Action Plans of the CPS, including the most recent HUD-approved Annual Action Plan for the 2008 program year.
3. Publicly available, recent foreclosure data for Baton Rouge.

For the purposes of identifying overall needs of a jurisdiction HUD compiled data from various sources including mortgage loan and foreclosure data from the federal Home Mortgage Disclosure Act (HMDA) data set, unemployment data from the U.S. Department of Labor, vacant residential housing data from the U.S. Postal Service, and population and household income data from the U.S. Census Bureau into a single dataset. It then produced a risk assessment for foreclosures and/or abandonment by census block group. This "Foreclosure / Abandonment Risk Score" was one of three needs categories from the HUD compiled dataset given priority in the development of the jurisdictions target area for NSP activities. These three priority needs categories were:

- Areas with the greatest percentage of foreclosures

- Areas with the highest percentage of homes financed by subprime mortgage
- related loans, and
- Areas identified as likely to face a significant rise in the rate of home foreclosures ("Foreclosure / Abandonment Risk Score").

A composite overlay of Census Block Groups exhibiting the greatest need from each of these three categories was produced as a basis for developing the target area. Three area types were then removed from the resulting area; 1). Undeveloped areas. 2). Industrial areas, and 3). Census tracts partly or entirely located within other incorporated areas of the parish.

Finally, other areas were then added such as those which exhibited high vacancy rates or those believed to exhibit the need for neighborhood stabilization and overlooked because of the lack of available data.

B. DISTRIBUTION AND USES OF FUNDS

HUD's High Loan Cost Rate data tends to reflect subprime mortgage lending, an Indicator of mortgage lending that may be more risky and subject to potential housing affordability/foreclosure problems over time. Fifteen census tracts were identified as having the highest score for this factor. All fifteen are contained within the highest scoring tracts for foreclosure/abandonment risk, and, with the exception of one "extra" tract, all are also the same tracts identified as having the highest foreclosure rates.

A baseline of "greatest need" geographic areas was identified as those census block groups scoring the highest on all three HUD ratings. We would note that HUD's NSP rules call for these three factors to be considered in determining areas of greatest need. From this baseline, consideration was given to other factors that identify NSP related needs and which could call for further refinement in the targeting of areas of greatest need.

Consolidated Plan & Strategy (CPS)

The City-Parish CPS includes an assessment of housing and homeless needs in the Parish as well as a housing and market analysis. The CPS considers overall needs within the jurisdiction as well as neighborhood-based needs. These assessments and analysis are incorporated by reference into this Substantial Amendment and interested persons are encouraged to review the CPS. The CPS is available to the public for review: at the City-Parish Office of Community Development, 300 Louisiana Avenue, Baton Rouge, LA; at East Baton Rouge Parish libraries, and; on the City-Parish web site at: http://www.brgov.com/deptjocd/pdf/BR_%202005-2009%20ConPlan.pdf. The 2008 Action Plan can be found at: <http://www.brgov.com/dept/ocd/pdf/AP2008-Draft.pdf>

Foreclosure Data:

Recent foreclosure data can provide a valuable indicator as to locations of foreclosed property, as well as the likelihood of NSP targeted activities satisfactorily addressing foreclosure problems that otherwise may contribute to neighborhood destabilization. Baton Rouge has been fortunate in that it has not experienced the high levels of home foreclosures of many other major cities around the country. According to RealtyTrac.com, the largest private compiler of foreclosure data nationwide, Baton Rouge is ranked 99th on a list of foreclosure increases among the country's 100 largest housing markets. Nevertheless, where the number and location of foreclosures indicates a greater concentration of such properties than is the norm for the general area, such data can serve to further refine and target areas of greatest need for NSP targeted activities. Publicly available RealtyTrac data as of late October, 2008, indicated a total of 330 properties. This total reflects: bank-owned properties (268); pre-foreclosure properties (16); government-owned properties (6), and; properties scheduled for auction (40).

Available RealtyTrac.com mapping for locations of these properties does not directly overlay locations with census tract or census block group boundaries. However, when these foreclosure locations are compared to the baseline map derived from HUD data, a strong correlation is indicated. Roughly a third of all such foreclosure properties within Baton Rouge fall within the baseline target area that was identified using HUD data. We believe that this foreclosure information supports a conclusion that the baseline 'map serves to identify areas having both the greatest need and opportunities to apply NSP activities toward foreclosure problems that contribute to neighborhood destabilization. According to our Consolidated Plan and Strategy (CPS) 2005-2009, the primary worst case housing needs in the jurisdiction are caused by a lack of standard condition affordable housing. An increase of affordable housing stock would reduce the numbers of both renters and owners with cost burdens, substandard housing and overcrowding. Since it is probably the many overcrowded households are doubled up households, available affordable housing stock would reduce overcrowding because many of the families would be able to maintain separate households. NSP will help alleviate those problems by increasing the amount of affordable housing for both purchase and rent.

The worst case needs that apply to all the categories are the needs for economic development to generate jobs and training for job related skills. While NSP would not directly address the need for economic develop, the process it assists with for conversion of foreclosed and abandoned property into more productive uses could positively impact quality of life and assist the process of economic development by helping to make the Target Area a more attractive place to live, work and invest. Other worst case needs

identified in the CPS that would be addressed by NSP include housing rehabilitation, housing counseling to prepare persons for establishing credit and becoming responsible homeowner, and homebuyer assistance.

Our proposed distribution and uses of funds would increase the availability of decent affordable housing, both rental and owner-occupied, within the Target Area in the immediate future and clear the way for development of more in years to come. Proposed uses of the funds include:

- Purchase and rehabilitation of foreclosed and abandoned residential properties for redevelopment into both rental and owner-occupied housing.
- Establishment of financing mechanisms to assist in acquisition of said properties. Provision of homebuyer training to prospective buyers of single-family homes rehabilitated or built with funds from this program.
- Demolition and land-banking, two activities that will go hand in hand under the structure of our program. Blighted structures within the Target Area will be subject to condemnation and demolition under city-parish building regulations. Lots qualifying as abandoned or foreclosed can be assigned to a land Bank that will maintain it until it can be put back into productive use.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law: A definition of "blight" is included under Chapter 11 "Blight Elimination", Section 12:651 of the Code of Ordinances of the City of Baton Rouge-Parish of East Baton Parish. That definition is:

"For purposes of this chapter, blight shall be defined as conditions upon or affecting premises, which are hazardous to the health, safety or welfare of the public, and/or conditions which are detrimental to property values, economic stability, or to the quality of the environment. Such conditions may include, but are not limited to, the following: the accumulation of junk, trash, garbage, litter, refuse, rubbish, appliances, debris, combustible materials, or junked inoperable vehicles (vehicles which are ten (10) years old or older, in such a state of deterioration that they cannot be profitably restored and which have a fair market value of five hundred dollars (\$500.00) or less); illegal dumping; noxious weeds; overgrown vegetation; infestation of insects, vermin or rodents; animals running at large; dilapidated structures; condemned properties; abandoned adjudicated properties; criminal violations; weed liens; zoning violations; alcohol beverage control violations; health code violations; and other conditions which are hazardous to public health, safety or welfare."

The word "premises" in this definition is considered to include both structures and vacant land. City-Parish enforcement activities to correct blighting conditions are addressed in various components of the City-Parish Code of Ordinances, according to the type of blight-creating condition. The following are illustrative (but not exclusively so) examples within the Code of Ordinances that are considered to be particularly relevant to NSP-related activities. Chapter 1, Section 8A.1 adopts the Standard Housing Code, which sets minimum standards for existing one and two bedroom dwelling units. Chapter 2 sets standards for other buildings and structures other than 1&2 dwelling unit structures; Chapter 8 establishes authority and process for removal of dilapidated and dangerous structures. It is critical to note that the city-parish can condemn a building determined to be in "a dilapidated and dangerous condition which endangers the public welfare" (Section 12:540), that such determinations are made initially by city-parish building inspectors and that condemnation orders are issued by the Metropolitan Council only after property owners have failed to remedy the conditions justifying them. As a matter of policy, the city-parish condemns only vacant buildings and most properties to be considered for demolition and clearance under NSP would be considered "abandoned" under NSP guidelines either at time of condemnation or in the near future. Costs of demolition, clearance and subsequent maintenance of the vacant land are assessed against the owner and, if not paid, result in liens being placed on the property.

(2) Definition of "affordable rents": The housing needs assessment in the City-Parish Consolidated Plan considers rental households that expend over 30% of income for housing plus related utilities and services) to be "cost burdened". Any NSP-assisted activities involving rental housing will apply an underlying standard that rents be affordable to NSP-eligible households at levels that do not exceed 30% of income for the appropriate household size and bedroom size.

A comparison of 2008 HUD-defined Fair Market Rents (FMR) and 200B HUD income limits finds that FMRs fall below 30% of median family income for FMRs across all bedroom sizes. HUD FMRs are a commonly recognized standard and are updated annually. HUD's Fair Market Rents for the Baton Rouge Metropolitan Area will be applied as the standard for defining "affordable rent" for NSP activities.

In the event of an NSP-assisted rental property intended to provide housing for households having incomes below 50% of median income, adjusted for family size, affordable rent is defined as the lesser of FMR for the bedroom size or 30% of HUD's current income limit for the appropriate household size.

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

Planned activities include making available both development financing to acquire and develop or redevelop NSP-assisted housing and longer-term financing of the (re)developed properties. In the case of development financing, assistance will be provided under contractual terms and conditions that require that the property be sold or rented to NSP-eligible persons/households in accordance with the requirements of the financing.

In the case of homeownership NSP-assisted housing, continued affordability will be addressed through contractual and mortgage instruments that require continued occupancy as principal residence of the home buyer for no less than certain defined periods. An

"affordability restriction", will also be recorded on the property. Failure to comply will be considered a default of the contract and mortgage, with the amount of NSP assistance becoming immediately due and payable.

In the case of rental NSP-assisted housing, continued affordability will Similarly require that rents be maintained within NSP affordability limits for certain defined periods. Annual reporting on rentals and occupancy will be required of the rental property owner for the term of the affordability period. An "affordability restriction" will be recorded on the property. Non-compliance with the affordability requirements will be considered a default of the contractual agreement and mortgage instruments, with the amount of NSP assistance becoming immediately due and payable.

In the event of early resale of the NSP-assisted housing by a homebuyer, the balance of any NSP assistance due may be transferred to a new, qualified homebuyer if that buyer is an NSP-eligible buyer and commits to principal residency at the property for no less than the remaining term of affordability. In the event of early resale of NSP-assisted rental housing, transfer of the property will be similarly permitted if the new buyer commits to continued affordable rental for no less than the remaining term of affordability.

Minimum periods of afford ability for NSP-assisted housing for homeownership housing

will be: (1) housing with NSP homeownership assistance of less than \$15,000 - 5 years; (2) housing with NSP homeownership assistance from \$15,000 to \$40,000 - 10 years; (3) housing with NSP homeownership assistance of over \$40,000 - 15 years.

Minimum periods of affordability for NSP-assisted housing for rental housing will be: (1) NSP financial assistance of less than \$15,000 - 5 years; (2) NSP financial assistance of \$15,000 to \$40,000 - 10 years; (3) NSP financial assistance of over \$40,000 - 15 years.

*These minimum periods of affordability are compatible with current, federal HOME Program regulations.

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

Title 8 "Building Regulations" of the City-Parish Code of Ordinances governs construction and rehabilitation standards and requirements. Included under this Title is Chapter 1 "Building Code" which sets for adoption of the International Building Code and International Building Code. The code governs, but not exclusively, both new construction and repair of existing structures-both housing and other. Also included under the Building Code are: Plumbing Code, Mechanical Code, Electrical Code, licensing requirements, including residential contractors, and construction permit requirements.

With certain exceptions, the Building Code requires that all construction/repair must be undertaken pursuant to required permits. Exceptions are listed in the Code and are typically applicable in instances that do not require licensed trades and which are of minor construction/repair work. Example of such exceptions are painting, replacement of shingles, and floor coverings All work requiring permit(s) is subject to submission of appropriate plans/specifications in application for the permit(s), and is subject to periodic inspection and final approval by the City-Parish. The City-Parish Office of Community Development (OCD) applies a set of housing rehabilitation standards to all housing improved under the CDBG program. The house is first inspected under the Standard Housing Code. Any deficiencies identified must be remedied in accordance with applicable codes as well as the aforementioned maintenance and workmanship standards. Those standards set forth minimum requirements for all materials and workmanship involving CDBG-assisted housing rehabilitation. These standards are applied whether or not such rehabilitation work requires any City-Parish permits.

All work requiring permits must, in addition, be inspected and approved by City-Parish Department of Public Works inspectors. These same rehabilitation standards will be applied as the minimum required standards for NSP-assisted rehabilitation. In addition to OCD rehabilitation standards and city parish code requirements, we intend to strongly encourage developers funded through NSP to utilize additional standards such as those to be found under www.energystar.gov and www.pathnet.org.

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. The current median income for a Baton Rouge family of four is \$56,660. We expect to spend approximately \$564,963 acquiring and redeveloping foreclosed and abandoned property for use as low income rental housing, and another \$910,000 on acquisition and development of similar property for single-family homes for sale to low-income buyers. Total: \$1,474,963 or 63.88 percent of entire grant amount.

E. ACQUISITIONS & RELOCATION

We do not intend to target occupied dwellings for any of our activity under this program. Vacant buildings that are structurally sound will be rehabilitated in accordance with rehabilitation standards described elsewhere herein, and any new construction undertaken under this program will have to meet code and other standards described elsewhere herein. At the conclusion of the initial phase of this program (that is, before additional work can be undertaken with program income as we start to receive it) we expect to have on-line 12 single-family homes to be sold for owner occupancy, which will be reserved for buyers whose family incomes are at or below 50 percent of the area median. In addition we project up to 5 rental units, all of which will be reserved for buyers with family incomes at or below 50 percent of area median.

F. PUBLIC COMMENT

Initial material posted on web site, public comment period began Nov. 6. First public hearing Nov. 6 before Citizens Advisory Council yielded many process-oriented questions and a concern about whether neighborhood-based non-profits could participate (they can, proposals will be requested). Second public hearing before Metro Council Finance & Executive Committee Nov. 19, no discussion, unanimous recommendation for approval. Third and final hearing Nov. 25, 2008 before full Metro Council, no discussion, unanimous approval.

Most recent revisions posted to web site September 14, 2011. No comments received within subsequent 15 days. Approval requested October 3, 2011.

ACTIVITIES

ACTIVITY G.1: Rental Housing Development

ORIGINAL BUDGET: \$625,000

AMENDED BUDGET: \$564,963

ELIGIBLE USES: (A) and/or (B) and/or (E)

Activity G.2: Homeownership Development

ORIGINAL BUDGET: \$750,000

AMENDED BUDGET: \$910,000

ELIGIBLE USES: (A) and/or (B) and/or (E)

ACTIVITY G.3: Housing Counseling

ORIGINAL BUDGET: \$3,000

AMENDED BUDGET: 0

ELIGIBLE USES: (A) and/or (B) and/or (E)

ACTIVITY G.4: Homebuyer Loans

ORIGINAL BUDGET: \$200,000

AMENDED BUDGET: 0

ELIGIBLE USE: (A)

ACTIVITY G.5: Land Banking

ORIGINAL BUDGET: \$500,000

AMENDED BUDGET \$603,000

ELIGIBLE USES: (C) and (D)

ACTIVITY ADMINISTRATION

ORIGINAL BUDGET: \$230,848

AMENDED BUDGET \$230,885

G.1

(1) Activity Name: Rental Housing Development

(2) Activity Type: Financing mechanisms, purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop such homes and properties. Eligible Use: A and/or B and/or E

(3) National Objective: Activity benefiting low and moderate income persons -Housing. **(4) Activity Description:** Through property acquisition and a mix of new construction and rehabilitation of existing structures, to increase the inventory of decent, affordable rental housing available to individuals and families with incomes at or below 50 percent of area median. Acquisition, development and management to be carried out by non-profit organizations under contract to the City of Baton Rouge/Parish of East Baton Rouge.

(5) Location Description: Target Area

(6) Performance Measures: (At least 4 units). **(7) Total Budget:** \$564,963

(8) Responsible Organization: Office of Community Development, P.O. Box 1471, Baton Rouge, La. 70821, Mukadas AIII-Balogun, Assistant Urban Development Director.

(9) Projected Start Date: October 1, 2008

(10) Projected End Date: March 18, 2013

(11) Specific Activity Requirements:

For acquisition activities, include Discount rate: negotiable, target 1 %.

For financing activities, include rate: 0%-3%

For housing related activities, include:

- Term of assistance - 15 years
- Tenure of Beneficiaries - Rental.
- Assurance of continued affordability - Loan agreement and deed restrictions

G.2

(1) Activity Name: Homeownership Development

(2) Activity Type: Financing mechanisms, purchase and redevelopment of homes and residential properties that have been abandoned or foreclosed upon in order to sell such homes and properties. Eligible Use: A and/or Band/or E

(3) National Objective: Activity benefiting low and moderate income persons -Housing. **(4) Activity Description:**

Through property acquisition and a mix of new construction and rehabilitation of existing structures, to increase the number of decent, affordable homes within the Target Area available for purchase by individuals and families with incomes at or below 50 percent of area median.

(5) Location Description: Target Area

(6) Performance Measures: At least eight (8) units planned for buyers in the below 50 percent of area median income category. **(7) Total Budget:**, \$910,000 with costs of houses reserved for lower income clientele to be kept relatively low through use of donated labor, supplies and materials.

(8) Responsible Organization: Office of Community Development, P.O. Box 1471, Baton Rouge, La. 70821, Mukadas Alli-Balogun, Assistant Urban Development Director.

(9) Projected Start Date: October 1, 2008

(10) Projected End Date: March 18, 2013

(11) Specific Activity Requirements:

For acquisition activities, include Discount rate: negotiable, target 1 %.

For financing activities, include rate: 0%-3%

For housing related activities, include:

- Term of assistance - From Startup to Sale.
- Tenure of Beneficiaries - Homeownership.
- Assurance of continued affordability - Loan agreement, purchase agreement and HOME-comparable recapture or deed restrictions to restrict re-use/re-sale to buyers in the seller's income category.

***Activities G.3 Housing Counseling and GA Homebuyer Loans are being deleted but these services will be available to NSP participants through ongoing services provided by this department using CDBG and HOME funds.**

G.5

(1) Activity Name: Land Banking

(2) Activity Type: Lots of foreclosed and abandoned property to be administered as part of a land bank. (Eligible Use: C and/or D)

(3) National Objective: Activity benefiting low, moderate or middle income persons - Area Benefit.

(4) Activity Description: Properties adjudicated to the City of Baton Rouge-parish of East Baton Rouge to be assigned to the East Baton Rouge Redevelopment Authority to be administered as a Land Bank pending eventual disposition and redevelopment.

(5) Location Description: Target Area

(6) Performance Measures: Maintenance and eventual redevelopment of sixty (60) lots. Those assigned to the Land Bank will have to be disposed of within 10 years to facilitate redevelopment of the areas in which they are located.

(7) Total Budget: \$603,000

(8) Responsible Organization: Office of Community Development, P.O. Box 1471, Baton Rouge, La. 70821, Mukadas Alli-Balogun, Assistant Urban Development Director.

(9) Projected Start Date: October 1, 2008

(10) Projected End Date: March 18, 2013, but Land Bank may administer properties for up to 10 years.