

## **Snohomish County Consortium Neighborhood Stabilization Program Plan**

The Snohomish County Consortium is anticipating receipt of \$2,313,822 of Neighborhood Stabilization Program (NSP) funds from Washington State Department of Community, Trade and Economic Development (CTED) by May 2009. The NSP is authorized under Title III of the Housing and Economic Recovery Act of 2008 (HERA) and is administered by the U.S. Department of Housing and Urban Development (HUD). HUD has awarded CTED a total of \$28,159,293 of Community Development Block Grant (CDBG) funds to establish and implement the NSP program in Washington State. CTED intends to distribute funds to CDBG entitlement jurisdictions based on the greatest percentage of home foreclosures, highest percentage of homes financed by a subprime mortgage related loan, and most likely to face a significant rise in the rate of home foreclosures. CTED utilized HUD's statewide foreclosure and income level data by census block groups, local foreclosure data and information provided by Local Initiative Support Corporation to determine the amount that will be provided to each jurisdiction.

Snohomish County, as lead agency for the Snohomish County CDBG Consortium, is responsible for the management of the NSP Program. The Consortium is a partnership between Snohomish County and 18 cities and towns within Snohomish County and also covers the unincorporated areas of the County. It does not include the City of Bothell or the City of Everett. The City of Bothell is split by the County line and is part of the King County CDBG Consortium. The City of Everett, as a separate CDBG entitlement jurisdiction, will receive NSP funds directly from CTED.

The goal of the County's NSP program is to redevelop abandoned and foreclosed homes and residential properties as affordable housing for low- to middle-income households and stabilize neighborhoods. Snohomish County expects to award \$2,198,131 to local government agencies and non-profit organizations for eligible housing activities. Five percent of the funds (\$115,691) will be used to administer the program. Eligible housing activities include (see Attachment A for list of Definitions):

- Create financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties through soft-second loans, loan loss reserves and shared-equity loans;
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to re-sell, rent or redevelop such homes and properties (acquisition of foreclosed properties must be at a discount from the current market-appraised value);
- Establish and operate land trusts;
- Demolish blighted structures; and
- Redevelop demolished or vacant properties (as housing).

The intended beneficiaries of the NSP funds are low- to middle-income households up to 120% of the area median income who reside in Snohomish County outside the Cities

of Bothell and Everett, including tribal members and non-tribal households living on tribal land. The City of Everett will receive its own share of NSP funds from CTED and the City of Bothell is part of the King County CDBG Consortium. Approximately twenty-six percent of the funds (\$608,901) must benefit households at or below 50% of the area median income.

County Priorities

- The 26% set-aside will be a minimum amount setaside for projects that will address the housing needs of the homeless and those at-risk of homelessness including persons with special needs. Households at-risk of homelessness must be at or below 50% AMI and not have the financial resources or supports/network to obtain housing on their own or stay in their housing. This includes renters who lose rental housing due to owners being foreclosed on or for other reasons have not been able to pay their rent (lost job, illness etc). These projects must demonstrate their consistency with the County’s ten year plan to end homelessness, “Everyone at Home Now.”
- The County is also prioritizing projects that address the housing needs of households at or below 50% of area median income to meet the NSP requirements.

<b>2009 Income Limits Effective March 2009</b>								
	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household	7 Person Household	8 Person Household
50% AMI	29,500	33,700	37,950	42,150	45,500	48,900	52,250	55,650
120% AMI	70,800	80,900	91,100	101,150	109,200	117,350	125,400	133,550

- Projects located in the following zip codes with high foreclosure needs score will have a priority for NSP funds.

<b>Zip Code</b>	<b>Place</b>	<b>Foreclosure Needs Score*</b>
98270	Marysville	29.6
98223	Arlington	16.6
98271	Marysville	13.8
98205	Outside City of Everett	13.2
98208	Outside City of Everett	13.2
98290	Snohomish	12.0
98204	Outside City of Everett	11.0
98258	Lake Stevens	10.0
98037	Lynnwood	8.5

\*Local Initiative Support Corporation Data

- The County is encouraging projects to use sustainable design features for rehabilitation and new construction. The County recommends the State's Evergreen Sustainable Development Standard for sustainable design features.
- The County is interested in establishing a revolving loan fund for NSP funds. Funds awarded to projects may be provided as forgivable or non-forgivable loans depending on the policy to be developed. Repaid loan funds will be deposited into a revolving loan fund and the program income generated from the repaid loans will be used for additional NSP eligible activities.

The NSP program will use the following federal HOME standards for affordable rents charged to tenants of rental housing and rehabilitation standards for new construction and acquisition and/or rehabilitation of structures:

<b>HOME Rent Limits Effective February 2008</b>					
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
Low HOME Rent	\$687	\$763	\$916	\$1,058	\$1,180
High HOME Rent	\$687	\$783	\$942	\$1,331	\$1,476
Fair Market Rent	\$687	\$783	\$942	\$1,331	\$1,626

#### New Construction

- State and local code requirements; and
- Model Energy Code: Washington State energy code; and
- Accessibility Requirement of the Fair Housing Act and Section 504 of the Rehabilitation Act (i.e. projects of five or more units); and
- Site and Neighborhood Standards per 24 CFR Part 983.6(b), when not in conflict with HERA's objective of addressing neighborhoods most impacted by foreclosures.

#### Acquisition and/or Rehabilitation

- HUD's Section 8 Housing Quality Standards (HQS) as noted in 24 CFR 982.40; and
- All applicable local codes, rehabilitation standards, ordinances, and zoning ordinances; and
- Accessibility Requirement of the Fair Housing Act and Section 504 of the Rehabilitation Act (i.e. projects of five or more units).

#### Other Federal Requirements

The following federal requirements set forth in 24 CFR 92.350 apply to NSP funds: nondiscrimination and equal opportunity (including Section 3, Minority/Women's

Business Enterprises); disclosure requirements; procurement; debarred, suspended or ineligible contractors; drug free workplace; labor standards (CDBG Davis-Bacon requirements will apply to any projects with 8 or more housing units); and environmental review, including lead-based paint.

Any displacement of persons occurring as a result of demolition, conversion, conversion in use, rehabilitation or acquisition of real property for an activity assisted with NSP funds shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended (42 U.S.C. §4201 et seq.), its implementing regulations at 49 CFR Part 24 and Section 104(d) of the Housing and Community Development Act. However, HUD has provided a couple of alternatives to the URA requirements.

Voluntary acquisitions will require appraisals to determine the fair market value of the properties to be purchased as set forth in Section 2301(d)(1) of HERA. Projects will also not be subject to the one-for-one replacement requirements set forth in 42 U.S.C. 5304(d)(2), as implemented at 24 CFR 42.375. Projects which demolish or convert low- and moderate-income units assisted with NSP funds will be required to provide information on the number of low- and moderate-income dwelling units to be demolished or converted; the number of NSP affordable housing units expected to be produced by activity and income level; and the number of dwelling units expected to be made available for households with incomes up to 50% of the area median income.

HERA is requiring any acquisition of a foreclosed-upon home or residential property purchased with NSP funds be at a "maximum reasonable discount" (includes consideration of carrying costs of the mortgagee if the property were not sold) from the current market-appraised value of the home or property and that such discount be passed on to potential homebuyers. The minimum discount of 5% for each residential property is 5% with a minimum average discount for the portfolio of NSP purchased properties of 15%. The average purchase discount can be at least 10% if the County determines the maximum reasonable discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds, provided that the discount is at least 5%. The methodology will provide an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for such period. The carrying costs may include: taxes, insurance, maintenance, marketing, overhead and interest. The procedures to implement the selected methodology shall be in writing and applied consistently to all purchases.

Each NSP-assisted homebuyer must receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. The homebuyer must obtain a mortgage loan only from lenders who agree to comply with the bank regulators' guidance for non-traditional mortgages (see Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System,

Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration, available at <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>).

**Local County Requirements**

The County will impose the following affordability limits on properties purchased with NSP funds. The County will monitor projects for the period of affordability and require annual reports.

<b>Activity</b>	<b>NSP Funds Provided</b>	<b>Affordability Period</b>
Homebuyer Assistance; Rehab or Acquisition of Existing Housing for Homeownership <sup>1</sup>	<\$15,000 \$15,000 to \$40,000 >\$40,000	5 years 10 years 15 years
New Construction or Acquisition of Newly Constructed Housing for Homeownership <sup>2</sup>	Any \$ Amount	20 years
Rehab, Acquisition or New Construction of Rental Housing <sup>2</sup>	Any \$ Amount	40 years

NSP funded activities will also be subject to state prevailing wages if Davis-Bacon requirements do not apply.

Applications for the NSP funds are tentatively scheduled to be available May 1<sup>st</sup> and will be due June 12, 2009. Applications will be available on the Snohomish County Human Services Department website located at: [http://www1.co.snohomish.wa.us/Departments/Human\\_Services/](http://www1.co.snohomish.wa.us/Departments/Human_Services/). The evaluation criteria are listed in Attachment B.

HUD and CTED have confirmed that the NSP funds do not have to be consistent with Snohomish County's 2005-2009 Consolidated Housing and Community Development Plan. The County staff will be making recommendations directly to the Executive and Council by the end of July 2009. The County will notify CTED by September 2009 of the projects selected to be funded with NSP funds. The County is planning to commit the NSP funds by December 2009.

All NSP funds must be expended by March 20, 2013. Tracking of program income and monitoring of projects will continue through the use restriction period.

The County notified housing agencies, funders (banks) and various industry stakeholders about this funding opportunity during the months of December 2008 and

<sup>1</sup> Federal HOME affordability requirement.  
<sup>2</sup> County affordability requirement.

January 2009. Information was provided at various stakeholder meetings, via e-mail and was made available on the County web-site. The County held three public meetings around Snohomish County to receive general public and stakeholder input on the draft plan at the following locations.

East Snohomish County

Monday, January 26, 2009  
Snohomish Library  
311 Maple Avenue, Snohomish  
12:30 – 2:30 pm

North Snohomish County

Wednesday, January 28, 2009  
Stillaguamish Senior Center  
18308 Smokey Point Blvd, Arlington  
1:00 – 3:00 pm

South and Central Snohomish County

Thursday, January 29, 2009  
Snohomish County Admin East, Public Meeting Room #1  
3000 Rockefeller Avenue, Everett  
10:00 am – 12:00 noon

The questions and answers and other comments from the three public meetings are in Attachment C. The County held three additional meetings with representatives from banks and interested housing developers to explain the NSP program and facilitate discussions on the purchase of foreclosed properties in February and March. The banks represented were: Bank of America, Cascade Bank, Coastal Community Bank, Frontier Bank, and Wells Fargo Bank, who had expressed an interest in working with non-profit agencies.

Strategies

Snohomish County staff also met with King County and Cities of Seattle, Kent and Federal Way and contacted Pierce County and the City of Tacoma to share information on their planning process. King County and the City of Seattle are planning to work with Fannie Mae on bulk purchase of foreclosed properties to be acquired by non-profit agencies. Pierce County and the City of Tacoma have created separate non-profit organizations within their government structures and are planning to have the non-profit entity acquire foreclosed properties that will be sold to non-profit agencies for purchase and rehabilitation.

The County has selected the following three strategies for allocation of its NSP funds:

1. Award funds to non-profit and government agencies through the NOFA application process. Non-profit and government agencies will work directly with banks and other owners to purchase foreclosed and abandoned properties. The agencies will then rehabilitate the properties, if needed, and re-sell to low- to middle-income households or manage as rental properties for low-income households.

2. The County will act as a broker with Fannie Mae and non-profit and government agencies to purchase foreclosed and abandoned properties. The agencies will then rehabilitate the properties, if needed, and re-sell to low- to middle-income households or manage as rental properties for low-income households.
3. The County is considering an option of working with the City of Seattle and King County to bulk purchase foreclosed and abandoned properties through Fannie Mae. The City of Seattle and King County are interested in forming a Limited Liability Corporation who will use NSP funds to bulk purchase properties from Fannie Mae. The jurisdictions will then work with non-profit and government agencies to develop projects and the LLC will re-sell the properties to those agencies that will then rehabilitate the properties, if needed, and re-sell to low- to middle-income households or manage as rental properties for low-income households.

## DEFINITIONS for Neighborhood Stabilization Program (NSP) Funds

**Soft-second Loans** -- A subsidized second mortgage loan combined with a conventional first mortgage loan to help low- and moderate-income households qualify for a mortgage and purchase a home for the first time.

For example, with a soft second mortgage program a potential homebuyer may get a first mortgage of up to 80% that they will be paying principal and interest on, and a soft second mortgage for the 20% balance. The soft second mortgage may be fully waived after 5, 10 or 15 years of home occupancy; or the homebuyer will be partially assisted with the second mortgage payments for limited time before they start paying principal and interest. A soft second may carry interest of 2 or more points below market rates.

**Loan Loss Reserves** -- Money that an organization sets aside to offset potential losses from loans or other receivables that aren't paid. This is a valuation reserve against the organization's total loans on the balance sheet, representing the amount thought to be adequate to cover estimated losses in the loan portfolio. When a loan is charged off, it is removed from the loan portfolio as an earning asset, and its book value is deducted from the reserve account for loan losses.

**Shared Equity Loan** -- A loan in which the lender shares in the equity of the mortgaged property in return for a lower interest rate to the borrower.

**Abandoned Property** – A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property or no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

**Blighted Structure** – A structure is considered blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

**Current Market Appraised Value** – The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer or individual homebuyer.

**Foreclosed Property** – A property that under state or local law where the foreclosure is complete (the title of the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law).

**EVALUATION CRITERIA**

Applications for NSP housing funds can receive a maximum of 31 points. There are five criteria areas plus three bonus options. Each criteria area will be rated on a scale of 1-5 (5 meeting all of the criteria and 1 meeting very little, if any, of the criteria). The bonus options are assigned either 1 or 2 points.

**1. ORGANIZATIONAL CAPACITY - Apply 1 to 5 points taking into consideration the items listed below:**

- a) Organization demonstrates that they have the staff experience and proper level of staffing to carry out the project;
- b) Organization demonstrates the ability to successfully implement and manage federally and locally funded projects in a timely manner, within budget, and consistent with funding requirements;
- c) Organization has appropriate financial management capacity as indicated by audited financial statements and agency budget. Any audit findings of the organization have been resolved prior to submission of application;
- d) Organization has a written personnel policy manual that includes procedures for personnel and financial management, a process for grievance and a plan for affirmative action.
- e) Organization demonstrates that they have the capacity and data collection resources to comply with federal and local performance outcomes reporting requirements.
- f) For rental housing projects: the Management Plan or Program Manual assures responsible operation and maintenance of the project or program for the length of commitment.
- g) For homebuyer projects: the Program Policies/Model assures mechanisms in place to ensure the minimum affordability period and recapture or resale options if the property is sold before the minimum affordability period.

**Organizational Capacity Points (Max = 5) \_\_\_\_\_**

**2. PROJECT SOUNDNESS - Apply 1 to 5 points taking into consideration the items listed below:**

- a) Project design and scope of work are consistent and feasible and respond to a locally identified housing need;
- b) The site, structure, location and program design are appropriate for the proposed residents;
- c) Where relevant to target population, appropriate type and level of support services available;
- d) Project is consistent with local community development, comprehensive and capital improvement plans.

**Project Soundness Points (Max = 5) \_\_\_\_\_**

**3. FINANCIAL FEASIBILITY - Apply 1 to 5 points taking into consideration the items listed below:**

- a) Project budget estimates and costs are reasonable and well supported or justified. Proposed developer and/or administrative fees are reasonable. Budget forms are consistent, accurate, and thorough;
- b) Proposed sources are matched to eligible activities;
- c) The proposed rents and/or mortgage payments are consistent with affordability requirements;
- d) Project leverages other, non-County funding and documents conditional and committed funds.

**Financial Feasibility (Max = 5) \_\_\_\_\_**

**4. COMMUNITY NEED AND BENEFIT - Apply 1 to 5 points taking into consideration the items listed below:**

- a) Organization objectively establishes the acuteness of the need and that the project benefits the eligible households with the highest need;
- b) Organization demonstrates that the project's scope will not exceed or overfill the existing gap/need in community.

**Community Need and Benefit Points (Max = 5) \_\_\_\_\_**

**5. READINESS TO PROCEED - Apply 1 to 5 points taking into consideration the items listed below:**

- a) Project Schedule indicates that all proposed and conditional funds will be committed within one year of County award, and that the project can be completed within two years of the contract execution date;
- b) Issues of site control, zoning, special permits, environmental hazards and licensing are identified and can be resolved in a timely manner;
- c) The status of architectural plans, cost estimates and project financing contribute to the timeliness of the proposed schedule.

**6. BONUS POINT – Apply 2 points if the project will be targeted to homeless or households at-risk of becoming homeless.**

**Bonus Points for Homeless Households (Points = 2) \_\_\_\_\_**

**7. BONUS POINT – Apply 2 points if the project will be targeted to Very Low-Income households at or below 50% of the area median income.**

**Bonus Points for Very Low-Income (Points = 2) \_\_\_\_\_**

8. ***BONUS POINT*** – Apply 3 points if the project will be located in a zip code with a high foreclosure need score.

**Bonus Points for Priority Zip Code Areas (Points = 3) \_\_\_\_\_**

9. ***BONUS POINT*** – Apply 1 point if the project will be using the State’s Evergreen Sustainable Design Features.

- a) The project lists features that promote the health and safety of residents, increase durability/sustainability, and/or minimize use of resources during construction and building operations.
- b) The project budget includes costs of sustainable design features.

**Bonus Point for Sustainable Design Features (Point = 1) \_\_\_\_\_**

## EVALUATION SUMMARY

Project Name: \_\_\_\_\_

Applicant Organization Name: \_\_\_\_\_

Evaluator's Name: \_\_\_\_\_

- |                                       |              |       |
|---------------------------------------|--------------|-------|
| 1) Organizational Capacity Points     | (Max = 5)    | _____ |
| 2) Project Soundness Points           | (Max = 5)    | _____ |
| 3) Financial Feasibility              | (Max = 5)    | _____ |
| 4) Community Need and Benefit Points  | (Max = 5)    | _____ |
| 5) Readiness to Proceed Points        | (Max = 5)    | _____ |
| 6) Bonus Point: Homeless Households   | (Points= 2)  | _____ |
| 7) Bonus Point: Very Low Income       | (Points= 2)  | _____ |
| 8) Bonus Point: High Foreclosure Need | (Points = 3) | _____ |
| 9) Bonus Point: Evergreen Standard    | (Point = 1)  | _____ |

**TOTAL POINTS AWARDED** (Max = 33) \_\_\_\_\_

**Projects which receive tied scores will be evaluated a second time in comparison with each other to determine prioritization for funding.**

## Questions and Answers from the Public Meetings

The following questions were generated at the three public meetings:

Q: On the 1<sup>st</sup> page, second bullet, purchase and rehabilitation of abandoned and foreclosed homes and residential properties. All of these properties must be foreclosed?

A: On the HUD NSP website, it states that if NSP funds are used to redevelop property that is vacant or has been demolished, the property does not need to be abandoned, foreclosed upon or previously residential.

Q: What is the definition of foreclosure?

A: A property that under state or local law where the foreclosure is complete (the title of the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law). Foreclosed property that will be purchased and rehabilitated in order to sell, rent or redevelop such homes does not need to be vacant. To qualify as abandoned property, a home must have mortgage or tax foreclosure proceedings initiated, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property must be vacant for at least 90 days.

Q: The time period for foreclosure – can these funds be used for projects that are in the process of being foreclosed?

A: The property must be foreclosed before it is purchased with NSP funds. Therefore, applications will be accepted for properties that are in the process of being foreclosed and funds may be awarded to properties that are in the process of being foreclosed as long as the foreclosure is complete before the property is acquired.

Q: Foreclosure requirement applies to blighted properties as well?

A: No, blighted properties which meet the local definition of “blighted” do not have to be foreclosed in order to receive NSP funds for demolition).

Q: Would deed in lieu qualify?

A: The definition of foreclosed includes transfer in lieu of foreclosure.

Q: Can it be voluntary transfer?

A: Yes, if it meets definition of foreclosure.

Q: Location – if outside city of Everett, but within urban growth areas is that okay?

A: Yes – as long as the project is located outside of the current city limits of Everett.

Q: Can it be residential multi-family?

A: Yes. It can also be for sale or residential purposes as long as it meets the income requirements.

Q: For rent or sale – can funds be used for homeownership?

A: Yes, funds may be used for either for sale or rent so long as the households meet the eligibility requirements.

Q: Does downpayment assistance programs apply to 1 and 2?

A: Yes.

Q: If acquisition and new construction, can land trust model be used where affordable housing is preserved for future buyer.

A: It would be great.

Q: Would it trigger payback for affordability period?

A: No – because would never be a time when it wasn't affordable.

Q: For acquisition of vacant land, does the land also need to be foreclosed?

A: No, vacant land does not need to be foreclosed if it meets the definition of "abandoned" property.)

Q: How does loan loss reserves come into play?

A: Projects could set up separate loan loss reserves with NSP funds in case of loan defaults.

Q: What is the definition of special needs?

A: Persons with disabilities, youth, veterans, persons dealing with alcohol/substance abuse, chronically mentally ill; will send out list to participants (listed at the end of this document.

Q: VOA interested in service enriched housing. Will a Home for Good Site #6 be eligible for these funds (group home for persons with disabilities)?

A: Yes.

Q: What about a project similar to Kiwanis House (transitional shelter)?

A: The NSP regulations allow for CDBG eligible uses which include emergency shelters and group homes. The project will need to be consistent with County's 10 Year Plan to End Homelessness. Group homes, transitional housing and emergency shelters will not count towards the 25% setaside of 50% AMI and below according to HUD.

Q: Can funds be used for new construction?

A: Yes. If the project is located in the City of Everett, the agency should apply to the City of Everett who is receiving their own NSP funds. Potential projects located in the City of Bothell will be eligible for King County funds since the City of Bothell is a part of the King County CDBG Consortium.

Q: Treehouse Properties has a property that it would like to use as a 4 unit facility for persons with Alzheimer's. Can they apply for NSP funds?

A: No, the property to be acquired or rehabbed must be foreclosed or abandoned. The agency could apply for other County housing funds.

Q: Can the agency acquire properties to use as housing facilities for persons with disabilities?

A: Yes.

Q: Application selection – will it be similar to current way of allocating?

A: The County was informed that we do not need to follow our current allocation process for the NSP funds. The County is exploring an expedited process and information will be available in the final plan submitted to the State by April 1st.

Q: Will the County be primarily using the current evaluation format and amend it slightly to include priorities for this funding?

A: Yes, the County will use the current evaluation criteria. The County may establish bonus points for projects that target homeless households and are located in the high foreclosure needs score zip codes. The County is exploring a simpler application and information will be available in the final plan submitted to the State by April 1st.

Q: Keep some subjectivity?

A: Yes, we do not want to narrow activities too much because the intent of the funding source is broad. We do not want to minimize our ability to fund good projects. We received some feedback in a prior public meeting that the timeline for selection/award may not work – that banks won't wait for six months. Also HUD requires 60-day appraisal. So it may be slightly different because working with banks that have these properties.

Q: Will application require site control?

A: The County will allow applications for potential sites which do not have site control but prefers applications that have site control.

Q: So you want a specific site?

A: Yes, we are anticipating many applications. If there isn't a site, the applicant will need to demonstrate a plan to secure a site at a minimum.

Comment: Therefore, the only properties you can act on are ones identified at that date. After the application is submitted, an agency might locate another property which is a better property and have a better project.

A: The County will accept/evaluate applications that have programmatic goals – but if compared to other projects which have identified sites, non-secured site control applicants may not rank as highly.

Q: For acquisition and rehab – can agencies apply for funds to meet ADA or 504 standards to make housing accessible?

A: Yes, include cost estimates in the application.

Q: Then work wouldn't take place until after funds awarded?

A: Yes.

Q: Can agencies apply for NSP funds and other housing funds available in the same funding round?

A: Yes.

Q: What is earliest that funding can be available?

A: Based on an application start date of May 1<sup>st</sup>, the County is targeting September 1<sup>st</sup> as the earliest date funding can be available.

Q: When does the State require funds to be fully allocated?

A: The State is asking us to have all funds be committed by September 2010.

Q: When do we have funds available from CTED? When will State provide us funding?

A: The County will submit our plan to the State by April 1, 2009 and we anticipate they will approve the plan and contract with us by July. June 2009 at the earliest, but we are not committing to that because we have to work out our funding timeline. We will let agencies know if there is a change to the funding cycle.

Q: So by April 1 will know?

A: Yes.

Comment: Haven't been able to imagine how this program will work for homeless. Properties foreclosed on are generally single family lots and large properties. Not sure any properties foreclosed upon that will be suitable for homeless projects.

A: Understand your point and will consider this factor when evaluating applications. HUD and the State have strongly encouraged jurisdictions to utilize the 25% set-aside for homeless housing to the greatest extent possible. Snohomish County also prioritizes serving a higher percentage of homeless households.

Q: Not goal?

A: The 25% set-aside is a minimum requirement by HUD and CTED. The County is interested in housing homeless populations with the 25% set-aside to the greatest degree possible.

Q: But requirement is 50% area median income and County is committed to serving homeless (which is generally below 30%).

A: Housing for homeless populations is a County priority. If we find that after reviewing 5 applications and none of them meet that level of serving homeless households, we are still required to honor the minimum (50%) AMI threshold as it is specified in the State's draft proposal.

Q: Is the 25% setaside for people with disabilities?

A: No, the 25% setaside is for homeless households including homeless households with special needs that includes people with disabilities.

Q: If bank did an appraisal, which they normally do when take property into ownership, would that appraisal work?

A: Yes, as long as meets requirements for an appraisal in the regulations (49 CFR 24.2(a)(3) and 24 CFR 24.103(a)(2).

Q: Appraisal timeline is 60 days. Will you require this in the application due to timeline?

A: HUD requires qualified appraisals to be done 60 days before property is purchased.

Q: Instead of using appraisals, how about using replacement cost appraisal?

A: No, HUD is requiring appraisals for foreclosed upon properties.

Q: Some banks not using appraisals, using CMA? Banks and realtors are using in lieu of appraisals for these properties now.

A: If you are referring to a Competitive Market Analysis, which is used by a real estate office which essentially compares local homes on the market and those sold and pending. HUD regulations require appraisals for each foreclosed upon property.

Q: The State plan will require state prevailing wages if Davis Bacon doesn't apply, will this be the same for the County?

A: Yes.

Q: Environmental review is required?

A: CDBG requirements will apply.

Q: How does that process fit into timeline?

A: Minimum 60 days.

Q: If able to expedite and get money out in June, would take additional 60 days – if talking with seller about environmental review.

A: Yes, we will need to explore how that will work since this will add to the timing of the funds being available.

Q: Anything that can be done to expedite that process?

A: If you could get us environmental review information as soon as available.

Q: Sometimes available, just not conveyed.

A: The environmental information needed is listed in the application. We understand that this can be time-consuming process.

Q: Did market research in Marysville. What about properties listed with real estate agencies? Anyone talked about real estate commissions?

A: This would need to be worked out between the agencies and the banks. There will be a need to negotiate. Or the bank has to be more creative in reducing the value.

Q: So commission wouldn't be a deal breaker?

A: No, but we want to make sure the property being acquired is below 15% market value. The commission needs to be part of that 15% reduction.

Q: Seen any figures on average sales in Marysville by bedroom size, etc.?

A: We found the following information at this website - <http://www.city-data.com/housing/houses-Marysville-Washington.html>: Median home price for 2007: \$326,454; detached home - \$368,221; townhome or attached home - \$234,594.

Q: Will you be covering program income issues if this is covered as homeownership? Will the feds want to recapture program income or appreciation?

A: No regulations regarding appreciation. Program income would come back to the County to redistribute. Program income received before July 30, 2013 may be retained by the County for eligible NSP activities. Program income received on or after July 30, 2013 must be remitted back to HUD unless HUD approves a request to use the funds for other NSP activities.

Q: What is the incentive for the banks?

A: The NSP funds will help take the foreclosed properties off their inventory and all the associated carrying costs, marketing, maintenance, etc.

Q: Can the County send out a list of bank contacts?

A: Yes.

Q: On other applications, other funds leveraged are important. Will this also apply for these funds?

A: A project that has broad, layered fund portfolio will be a successful applicant.

Q: Did Skagit County get funds?

A: No. Staff read list that is available in State's plan on CTED website:

[http://www.cted.wa.gov/portal/alias\\_\\_CTED/lang\\_\\_en/tabID\\_\\_314/DesktopDefault.aspx?tabID=0&alias=CTED&lang=en](http://www.cted.wa.gov/portal/alias__CTED/lang__en/tabID__314/DesktopDefault.aspx?tabID=0&alias=CTED&lang=en). If jurisdictions are not on list, they can apply directly to the State for funds.

Q: So additional money State has – for communities outside jurisdictions getting money – nor for areas getting money?

A: Yes.

Q: Define the degree of sustainability – will there be a requirement? It should be a minimum of 200 years.

A: No requirement right now.

Q: Will rehab or new construction be subject to green standards? Suggest LEED or minimum state standards.

A: We will encourage rehabilitation and new construction projects to use CTED's Evergreen Sustainable Development Standard in their design.

Q: What is the cost of foreclosed properties?

A: We don't know, the agencies will need to contact the banks.

Q: Do you have a list of foreclosed properties?

A: No, the agencies will need to contact the banks.

Q: What is the average range of cost for existing foreclosed homes in the Marysville area?

A: The range is between \$270,000 - \$290,000.

Q: Are agencies expected to purchase foreclosed properties at a 15% discount?

A: The County is required to have a portfolio of properties that were purchased at a 15% discount.

Q: Can an agency with little or no housing development experience apply for funds? Will you require that applicants have housing development experience? Agencies that have not developed housing before may be interested in applying for funds.

A: We would recommend that new agencies work with experienced housing developers. But this may not be as critical if the agency is only applying for funds for acquisition and has other funds for services.

Comment: Huge need for affordable, smaller units (studio apartments) for graduates of special education.

Comment: Lot of state funding is going away, need for youth shelter for pregnant or parenting teens. There are a lot of homeless youth couch surfing in the Marysville and Arlington area. Teens between 13-18 years old and especially those who are pregnant and parenting, don't have places to live.

Comment – difficult to get foreclosed property list from the bank, may need connection with mortgage banks or secondary lender.

Comment – the lengthy application process may be adverse to the purchase of foreclosed properties (banks may not be willing to wait six plus months for funds and the short 60 day appraisal requirement).

Comment – suggest that a simpler application than the current housing application be used.

### Additional Information

- HUD has repealed the requirement that program income generated after June 30, 2013 must be returned to HUD. Jurisdictions will be allowed to keep program income to allocate to other eligible NSP activities. Revolving loan funds are permissible under NSP.

- Under the eligible use “redevelop demolished or vacant properties”, the vacant property must have been previously developed and is now vacant. Raw land is not eligible for redevelopment. Previous redevelopment includes: vacant building or infrastructure improvements such as roads, water, sewer, power lines, etc.
- Under the eligible use “redevelop demolished or vacant properties”, NSP funds may be used to redevelop a property that is vacant or has been demolished. Providing NSP funds are only used for redevelopment activities listed under eligible use “redevelop demolished or vacant properties”, the property need not be abandoned, foreclosed upon or previously residential.
- New Construction is only allowed under the eligible use “redevelop demolished or vacant properties”.
- If the property to be redeveloped is not vacant or previously demolished, NSP funds can be used to demolish structures on the property prior to redevelopment, under eligible use “demolish blighted structures.” However, in order to use NSP funds for demolition, the structures must be blighted, but they need not be abandoned and they need not be residential.
- No appraisal is required to purchase “abandoned” properties under NSP.
- Definition of special needs homeless populations: Frail elderly; persons with severe disabilities; chronically mentally ill; persons with developmental disabilities; persons with substance abuse; victims of domestic violence; youth; persons with HIV/AIDS; and veterans.
- A meeting was held with interested bank representatives on Friday, February 6, and Friday, March 6, 2009. The bank representatives requested that interested parties contact them directly for lists of foreclosed properties. The staff information is as follows:

Alex Johnston  
 Senior Vice President, Government Banking  
 Bank of America, WA1-501-34-03  
 800 – 5<sup>th</sup> Avenue, 34<sup>th</sup> Floor  
 Seattle, WA 98104-3176  
 206-358-8938  
[lan.a.johnston@bankofamerica.com](mailto:lan.a.johnston@bankofamerica.com)

Michael Dotson  
 Senior Vice President, Government Banking  
 Bank of America, WA1-501-34-03  
 800 – 5<sup>th</sup> Avenue, 34<sup>th</sup> Floor  
 Seattle, WA 98104-3176  
 206-358-6445  
[Michael.j.dotson@bankofamerica.com](mailto:Michael.j.dotson@bankofamerica.com)

Susan M. Green  
Vice President, Business Banking  
Cascade Bank  
1101 Avenue D, Building D  
Snohomish, WA 98290  
425-257-1742  
sgreen@cascadebank.com

Howard L. Harris  
Vice President Special Credits  
Coastal Community Bank  
10520 19<sup>th</sup> Ave SE  
Everett, WA 98206  
425-357-3672  
hharris@coastalbank.com

Cynthia Weaver  
Assistant Vice President, Special Assets  
Frontier Bank  
Evergreen Way Office  
6623 Evergreen Way  
P.O. Box 2215  
Everett, WA 98213-0215  
425-425-7216  
[cweaver@frontierbank.com](mailto:cweaver@frontierbank.com)

Dwight J. Prevo  
Vice President, Community Development  
Wells Fargo  
Corporate Social Responsibility  
MAC P6540-475  
999 Third Avenue – 47<sup>th</sup> Floor  
Seattle, WA 98104  
206-343-6461  
dwight.j.prevo@wellsfargo.com