Substantial Amendment to 2008 CDBG Action Plan
For Use of HUD Neighborhood Stabilization Program Funds

Jurisdiction: City of Kokomo
Jurisdiction Web Address: www.cityofkokomo.org
Substantial Amendment URL: www.cityofkokomo.org/department/index.asp?IDD=9-0

NSP Contact Person: Elizabeth Schiltz
Address: Department of Development
City Hall, 100 S. Union St.
Telephone: 765-456-7375
Fax: 765-456-7387
Email: development@cityofkokomo.org
SUBSTANTIAL AMENDMENT TO 2008 CDBG ACTION PLAN FOR THE USE OF HUD NEIGHBORHOOD STABILIZATION PROGRAM FUNDS

The U.S. Department of Housing and Urban Development (HUD) is providing Neighborhood Stabilization Program (NSP) funds for targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties which would otherwise be sources of abandonment and blight within their communities. This program will become an amendment to the city's 2008 Action Plan. The City of Kokomo has been allocated $2,181,088. Of this, ten percent, $218,108, is allowed to be retained for administrative fees for use by the city and subgrantees, with a balance of $1,962,979 for program activities.

A. Areas of Greatest Need

According to the US Department of Housing and Urban Development (HUD) foreclosure and abandonment risk score data, the City of Kokomo has 43 census block groups. From the data provided, the City of Kokomo has 45,967 persons, of whom 32,056 (69 percent) have incomes at or below one hundred twenty percent Area Median Income. The complete and partial block groups that were ineligible based on area benefit were eliminated from consideration for assistance through the NSP because a significant percentage of their population would not be eligible recipients.

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Block Groups</th>
<th>Block groups eliminated by income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1,2,3</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1,2,3</td>
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<tr>
<td>4</td>
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<td>5</td>
<td>1,2,3,4</td>
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<td>6</td>
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<td>8</td>
<td>1,2,3,4</td>
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<td>9</td>
<td>1,2,3,4</td>
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<tr>
<td>10</td>
<td>1</td>
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<tr>
<td>11</td>
<td>1,2,2*</td>
<td></td>
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<tr>
<td>12</td>
<td>1,2,3</td>
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<tr>
<td>13</td>
<td>1,1*,2</td>
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<tr>
<td>14</td>
<td>1,2,2*,3,3*</td>
<td>2,2*,3,3*</td>
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<tr>
<td>15</td>
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<td></td>
</tr>
<tr>
<td>102</td>
<td>1,3,3*</td>
<td>3,3*</td>
</tr>
<tr>
<td>103</td>
<td>1,2,2*</td>
<td>1,2</td>
</tr>
<tr>
<td>106</td>
<td>1</td>
<td>1</td>
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</tbody>
</table>

The next criteria used for targeting was the estimated foreclosure abandonment risk score which ranged from seven through ten and which correlates with the predicted foreclosure rate. To best address foreclosures during the timeframe of the grant, scores for eligibility were determined to be the higher numbers, nine and ten.
Census Tract Block Groups (*data for block group split into two sections)

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Remaining block groups</th>
<th>Block groups eliminated by risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1,2,3</td>
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<tr>
<td>3</td>
<td>1,2,3</td>
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<td>1,2,3</td>
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<td>13</td>
<td>2*</td>
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<td>15</td>
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<tr>
<td>102</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>103</td>
<td>2*</td>
<td></td>
</tr>
</tbody>
</table>

The remaining block groups form the NSP target area. These groups were determined to be areas of greatest need based on the greatest percentage of home foreclosures, the highest percentage of homes financed by a subprime mortgage related loan – HMDA high cost loan rate, and being identified as likely to face a significant rise in the rate of home foreclosures within 18 months.

Census Tract Block Groups (*data for block group split into two sections)

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Block groups targeted for the Neighborhood Stabilization Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1,2,3</td>
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<tr>
<td>3</td>
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<td>1,2,3</td>
</tr>
<tr>
<td>13</td>
<td>2*</td>
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<tr>
<td>15</td>
<td>1</td>
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</tbody>
</table>

The City of Kokomo’s current Community Development Block Grant (CDBG) target area, included in the NSP area, is expected to benefit from the designated NSP target selection.

B. Distribution and Uses of Funds

NSP funds must 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 as likely
to face a significant rise in the rate of home foreclosures. The city will meet these requirements by targeting primarily the city's Block Groups that are either completely or partially determined to have the greatest need.

NSP funds will be used to: 1) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers; and 2) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclose upon in order to sell, rent, or redevelop such homes and properties.

C. Definitions and Descriptions

1. Blighted structure

Blighted structure is discussed in the context of state and local law as an "unsafe building." City ordinance states: "Any building or structure which has any or all of the conditions or defects hereinafter described shall be deemed to be an "UNSAFE BUILDING", provided that such conditions or defects exist to the extent that life, health, property, or safety of the public or its occupants are endangered.

   (1) Whenever any door, aisle, passageway, or other means of exit is not of sufficient width or size or is not so arranged as to provide safe and adequate means of exit in case of fire or panic.

   (2) Whenever any building or structure has been constructed, exists, or is maintained in violation of any specific requirement or prohibition applicable to such building or structure provided by the building regulations of this city, or of any law or ordinance of this state or city relating to the condition, location, or structure of buildings.

   (3) Whenever any building or structure which, whether or not erected in accordance with all applicable laws and ordinances has in any non-supporting part, member, or portion less than 50%, or in any supporting part, member, or portion less than 66% of the strength, fire-resisting qualities or characteristics, or weather-resisting qualities or characteristics required by law in the case of a newly constructed building of like area, height, and occupancy in the same location.

   (4) Whenever a building or structure, used or intended to be used for dwelling purposes, because of inadequate maintenance, dilapidation, decay, damage, faulty construction or arrangements, inadequate light, air or sanitation facilities, or otherwise, is determined by the enforcement authority to be unsanitary, unfit for human habitation, or in such a condition that is likely to cause sickness or disease.

   (5) Whenever any building or structure, because of obsolescence, dilapidated condition, deterioration, damage, inadequate exits, lack of sufficient fire-resistive construction, faulty electric wiring, gas connections, or heating apparatus, or other cause, is determined by the enforcement authority to be a fire hazard.

   (6) Whenever any portion of a building or structure remains on a site after the demolition or destruction of the building or structure or whenever any building or structure is abandoned for a period in excess of six months so as to constitute such building or portion thereof an attractive nuisance or hazard to the public.
2. **Affordable rents**
   The grantee has reviewed its current definition of “affordable rents” for the CDBG program and made slight modifications to ensure total compliance with the NSP program. The existing CDBG program definition has adopted the HUD Fair Market Rent documentation system, but had applied a specific three-year period of affordability. In order to ensure and maintain total compliance with the new NSP program, the grantee has expanded that definition to include the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254.

3. **Ensuring continued affordability for NSP assisted housing**
   The grantee will ensure the continued affordability of all NSP assisted housing. Subprime mortgages will be discouraged.

   Homebuyers will get eight hours of counseling from a HUD-approved counseling source. For homeownership projects, the City of Kokomo shall abide by HOME program standards at § 92.254, and may apply the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act (12 U.S.C. 1709 (b), which may be obtained from the HUD field office.

   For all rental housing projects, the City of Kokomo shall apply the HUD Fair Market Rent documentation system and ensure that all units remain affordable during the term of the financial assistance being provided. The use of deed restrictions or other covenants running with the land shall be the principle means by which this will be accomplished.

<table>
<thead>
<tr>
<th>2009 Fair Market Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
</tr>
<tr>
<td>$516</td>
</tr>
</tbody>
</table>

For all homeowner and rental projects, the period of affordability will follow the HOME program standards as referenced above, which will be based on the amount of funds invested as follows:

<table>
<thead>
<tr>
<th>Housing Activity</th>
<th>Minimum period of affordability in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and/or rehabilitation of existing housing per unit amount of NSP funds invested: Under $15,000</td>
<td></td>
</tr>
<tr>
<td>$15,000 to $40,000</td>
<td></td>
</tr>
<tr>
<td>Over $40,000 or rehabilitation involving refinancing</td>
<td>15</td>
</tr>
</tbody>
</table>
4. Housing rehabilitation standards that will apply to NSP assisted activities:
   Rehabilitation will be to the extent necessary to comply with applicable laws, codes and other requirements. It may include improvements to increase the energy efficiency or conservation or provide a renewable energy source or sources.

   By local ordinance, the City of Kokomo has adopted the following building codes for residential properties, which shall apply to all NSP assisted projects.
   • 2009 International Residential Code for One and Two-Family Dwellings (effective in March, 2009)
   • 2009 International Mechanical Code (effective in March, 2009)
   • 2008 Indiana Building Code
   • 2008 Indiana Mechanical Code
   • 2008 Indiana Fuel Gas Code
   • 2006 National Electrical Code
   • 1999 Indiana Plumbing Code
   • 1992 Indiana Energy Code

D. Low Income Targeting
   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 are at or below 50 percent of area median income is $545,272. These funds will be used to rehabilitate approximately 25 single family residences that will be sold to investors for renting to this low income target population.

E. Acquisitions & Relocation
   The city will not demolish or convert any low- and moderate-income dwelling units (i.e., no greater than 80 percent of area median income).

F. Public Comment
   Legal notices for public viewing and comment were printed in the Kokomo Tribune and Kokomo Herald. The City of Kokomo’s website posted the full amendment plus certifications and SF 424, and copies of the same were available for 15 days at the Kokomo-Howard County Public Library and at city hall in the department of development. No comments were received.

G. NSP Activities

ACTIVITY 1

(1) Activity Name: Acquisition and Rehabilitation

(2) Activity Type:
   NSP eligible use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties.
   CDBG eligible activity: The City of Kokomo shall undertake the CDBG basic eligible activity “Acquisition” as defined in the federal regulations at 24 CFR
570.201 (a). It is further expected to undertake "Eligible rehabilitation and preservation activities" as defined under § 570.202.

(3) **National Objective:**
Benefiting low, moderate and middle income persons as defined in the NSP Notice, i.e., at or below 120 percent of area median income

(4) **Projected Start Date:** February 13, 2009

(5) **Projected End Date:** February 13, 2013

(6) **Responsible Organization:**
City of Kokomo, City Hall, 100 S. Union Street, Kokomo, IN 46901. Contact person, Debra Cook.

(7) **Location Description:**
This activity will be carried out in the areas of greatest need as described in Section A. above.

(8) **Activity Description:**
The City of Kokomo will acquire and rehabilitate homes and residential properties that have been foreclosed upon which will then be sold to income-qualified persons and landlords who will rent to income-qualified persons. Local realtors report that at least half of persons seeking housing want to rent. Therefore, approximately 50 percent of the properties will be used for rental units for individuals or families with income at or below 120 percent of area median income; one-half of the rentals will be used for individuals or families with income at or below 50 percent of area median income. The remaining properties will be for homeowners with income at or below 120 percent of area median income.

The discount rate for acquisition will be 15 percent. NSP funds will provide 0-percent loans for property purchase and will be used for rehabilitation costs. Income from selling the properties will be returned to the City of Kokomo for re-use to acquire and rehabilitate additional homes and residential properties.

(9) **Total Budget**
NSP will fund revolving loans at 0 percent interest for acquisition; this money will be returned for re-use on additional properties.
An estimated $1,395,000 in NSP funds will be used for rehabilitation.

(10) **Performance Measures**
Units of housing to be acquired and rehabilitated for income levels of households that are at

- 50 percent or below area median income - 24
- 51-80 percent area median income - 24
- 81-120 percent area median income - 45

**ACTIVITY 2**

(1) **Activity Name:** Home Purchase
(2) **Activity Type:**  
NSP eligible use: Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.  
CDBG eligible activity: The City of Kokomo is expected to provide down payment assistance for homeowners under the eligible activity "Homeownership assistance" as defined in the federal regulations at 24 CFR 570.201 (n).

(3) **National Objective:**  
Benefiting low, moderate and middle income persons as defined in the NSP Notice, i.e., at or below 120 percent of area median income

(4) **Projected Start Date:** February 13, 2009

(5) **Projected End Date:** February 13, 2013

(6) **Responsible Organization:**  
City of Kokomo, City Hall, 100 S. Union Street, Kokomo, IN 46901. Contact person, Debra Cook.

(7) **Location Description:**  
This activity will be carried out in the areas of greatest need as described in Section A. above.

(8) **Activity Description:**  
The City of Kokomo will sell homes they have acquired and rehabilitated to individuals or families whose household income is at or below 120 percent of area median income. This program may provide an opportunity for first-time homebuyers, as well as previous homeowners, to acquire an affordable home. Based on information from local lenders, it is expected that individuals or families whose incomes do not exceed 50 percent of area median income would not be given loans for purchasing a home.  
This program will provide a 20 percent down payment on home purchase in the form of a five-year forgivable loan. Deed restrictions would assure continued affordability, and City of Kokomo staff will monitor projects.

(9) **Total Budget**  
NSP will fund 20 percent down payment assistance at an estimated total cost of $315,127.

(10) **Performance Measures**  
Units of housing to be assisted with down payment assistance for households that are at  
- 50 percent or below area median income - 0  
- 51-80 percent area median income - 10  
- 81-120 percent area median income - 35
ACTIVITY 3

(1) Activity Name: Rental Property Purchase

(2) Activity Type:
   - NSP eligible use: Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.
   - CDBG eligible activity: The City of Kokomo is also expected to undertake "Eligible rehabilitation and preservation activities" with regards to rental properties, which is also eligible under § 570.202 (b) (1) "Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes."

(3) National Objective: Benefiting low, moderate and middle income persons as defined in the NSP Notice, i.e., at or below 120 percent of area median income.

(4) Projected Start Date: February 13, 2009

(5) Projected End Date: February 13, 2013

(6) Responsible Organization:
   - City of Kokomo, City Hall, 100 S. Union Street, Kokomo, IN 46901. Contact person, Debra Cook.

(7) Location Description:
   - This activity will be carried out in the areas of greatest need as described in Section A above.

(8) Activity Description:
   - The City of Kokomo will sell homes in Kokomo they have acquired and rehabilitated to landlords who will rent to individuals or families whose household income is at or below 120 percent of area median income; one-half of the rentals will be used for individuals or families with income at or below 50 percent of area median income.

   Local realtors report that at least half of persons seeking housing want to rent, and often these are persons who may previously have had homes that went through foreclosure.

   This program will provide a 15 percent down payment. Deed restrictions would assure continued affordability. City of Kokomo staff will monitor renter incomes and rent payments.

(9) Total Budget:
   - NSP will fund 15 percent down payment assistance at an estimated total cost of $252,853.

(10) Performance Measures
Units of housing to be acquired, rehabilitated and sold to landlords for housing provided to individuals or households at
  50 percent or below area median income - 24
  51-80 percent area median income - 14
  81-120 percent area median income – 10

**ACTIVITY 4**

1. **Activity Name:** Administration

2. **Activity Type:**
   - NSP eligible use: An amount of up to 10 percent of an NSP grant provided to a jurisdiction and of up to 10 percent of program income earned may be used for general administration and planning activities as those are defined at 24 CFR 570.205 and 206.
   - CDBG eligible activity: At 24 CFR 570.205 HUD regulations allow eligible planning, urban environmental design and policy-planning-management-capacity building activities, and at 24 CFR 570.206 program administration costs.

3. **National Objective:** Benefiting low, moderate and middle income persons as defined in the NSP Notice, i.e., at or below 120 percent of area median income.

4. **Projected Start Date:** February 13, 2009

5. **Projected End Date:** February 13, 2013

6. **Responsible Organization:**
   - City of Kokomo, City Hall, 100 S. Union Street, Kokomo, IN 46901. Contact person, Debra Cook.

7. **NA**

8. **NA**

9. **$218,108**

10. **NA**