

**FUNDING APPROVAL AND GRANT AGREEMENT FOR
NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP3) FUNDS
AS AUTHORIZED AND APPROPRIATED UNDER THE WALL STREET
REFORM AND CONSUMER PROTECTION ACT OF 2010, AMERICAN
RECOVERY AND REINVESTMENT ACT OF 2009 AND THE HOUSING
AND ECONOMIC RECOVERY ACT OF 2008
(PUBLIC LAWS 111-203, 111-005 and 110-289)**

NSP3 GRANTEE: State of Alabama

NSP3 GRANT NUMBER: B-11-DN-01-0001

NSP3 GRANT AMOUNT: \$5,000,000

NSP3 APPROVAL DATE: March 14, 2011

NSP3 EXPENDITURE DEADLINE (2 YEAR): March 14, 2013

NSP3 EXPENDITURE DEADLINE (3 YEAR): March 14, 2014

GRANTEE DUNS NUMBER: 062620604

1. This Grant Agreement between the U.S. Department of Housing and Urban Development (HUD) and the **State of Alabama** (Grantee) is made pursuant to the authority of section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-203 (July 21, 2010)) (Dodd-Frank Act), title XII of Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5 (February 17, 2009)) (Recovery Act) and sections 2301 – 2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 (July 30, 2008)) (HERA). The program established pursuant to section 2301-2304 of HERA is known as the “Neighborhood Stabilization Program” or “NSP.” The term “NSP2” refers to the second appropriation of NSP funds provided under the Recovery Act. The additional allocation under the Frank Dodd Act represents the third round of Neighborhood Stabilization Program funding and is referred to as “NSP3.” Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants (Docket No. FR-5447-N-01, October 19, 2010) (NSP3 Notice); the Dodd-Frank Act; the Recovery Act; HERA; the Grantee’s application for NSP3; the HUD regulations at 24 CFR Part 570 (as modified by the NSP3 Notice as now in effect and as may be amended from time to time) (Regulations); and this Funding Approval, including any special conditions, constitute part of the Grant Agreement. In the event of a conflict between a provision of the Grantee’s Application and any provision of this Grant Agreement, the latter shall control.

2. The Grantee shall comply with reporting requirements established by HUD and OMB (including all revisions to such reporting requirements) and the Federal Funding Accountability and Transparency Act (Pub. L. 109-282) (including implementing guidance).
3. Subject to the provisions of this Grant Agreement, HUD will make NSP3 Grant Funds in the amount of **\$5,000,000** available to the Grantee upon execution of this Grant Agreement by the parties. Of that amount, \$1,250,000 must be used to house individuals or families whose incomes do not exceed 50 percent of area median income, pursuant to Dodd-Frank Act. The Grantee shall have 24 months from the date of HUD's execution of this Grant Agreement to expend half of the NSP3 Grant amount pursuant to the requirements of this Agreement, the Dodd-Frank Act, the Recovery Act, HERA and the NSP3 Notice, as amended. The Grantee shall have 36 months from the date of HUD's execution of this Grant Agreement to expend the total NSP3 Grant amount pursuant to the requirements of this Agreement, the Dodd-Frank Act, the Recovery Act, HERA and the NSP3 Notice, as amended. The NSP3 Grant Funds may be used to pay eligible costs arising from eligible uses incurred after the NSP3 Approval Date provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-award planning and general administrative costs may not be paid with funding assistance except as permitted in the NSP3 Notice, as amended. Other pre-award costs may not be paid with funding assistance except as permitted by 24 CFR 570.200(h); for purposes of NSP3, such costs are limited to those incurred on or after the date that the NSP3 Notice was published by HUD.
4. The Grantee agrees to assume all of the responsibilities for environmental review, decisionmaking, and actions, as specified and required in regulations issued by the Secretary pursuant to section 104(g) of Title I of the Housing and Community Development Act, as amended (42 U.S.C. 5304) and published in 24 CFR Part 58.
5. The Grantee agrees that it will demolish or convert units using NSP3 funds only to the extent and scope described in the NSP3 substantial amendment. The Grantee agrees that under no circumstances will NSP3 funds be used to demolish any public housing (as defined in section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a)).
6. The Grantee agrees to comply with the Recovery Act provisions concerning tenant protections applicable to NSP3 acquisitions of foreclosed property. The Grantee must document its efforts to ensure that the initial successor in interest (ISII) in a foreclosed upon dwelling or residential real property (typically, the initial successor in interest in property acquired through foreclosure is the lender or trustee for holders of obligations secured by mortgage liens) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. The Grantee will not use NSP3 funds to finance the acquisition of property from any initial successor in interest that failed to comply with applicable requirements unless the Grantee assumes the obligations of such initial successor in interest with respect to bona fide tenants. If the Grantee elects to assume such obligations, it may only do so if the tenant is still occupying the property and will provide any tenant displaced as a result of the NSP3 funded acquisition with the

assistance outlined in 24 CFR 570.606. If the Grantee knows that the ISII did not comply with the NSP tenant protection requirements and vacated the property contrary to the NSP requirements, NSP3 funds cannot be used to acquire such properties.

7. The Grantee further acknowledges its responsibility for adherence to all applicable terms and conditions of this grant award by sub-recipient entities and contractors, including obtaining a DUNS number (or updating the existing DUNS record), and registering with the Central Contractor Registration.
8. This Grant Agreement may be amended only with the prior written approval of HUD. In considering proposed amendments to this Grant Agreement, HUD shall also review, among other things, whether the amendment is otherwise consistent with the Dodd-Frank Act, the Recovery Act, HERA, the NSP3 Notice, as amended, and the Regulations.
9. The Grantee may not amend its Grantee Submission other than as described above; however, such amendments will be subject to the requirements of the NSP3 Notice and any revisions HUD may make to the NSP3 Notice (or any successor Notice or regulation).
10. The Grantee must respond in writing to any citizen complaint within 15 working days, if feasible, and send a copy of the response to HUD. The Grantee shall at all times maintain an up-to-date copy of its Grantee Application, including all amendments approved by HUD, on its Internet website. Further, the Grantee shall maintain information on all drawdowns, deposits, and expenditures of grant funds and program income under this Funding Approval and Grant Agreement and any other records required by 24 CFR 570.506 and the NSP3 Notice, as amended, in its files and shall make such information available for audit or inspection by duly authorized representatives of HUD, HUD's Office of the Inspector General, or the Comptroller General of the United States.
11. The Grantee is advised that providing false, fictitious or misleading information with respect to NSP3 Grant Funds may result in criminal, civil or administrative prosecution under 18 USC § 1001, 18 USC § 1343, 31 USC § 3729, 31 USC § 3801 or another applicable statute.
12. Close-out of this grant shall be subject to the provisions of 24 CFR 570.509 or such close-out instructions as may hereafter be issued by HUD specifically for NSP3 grants.

**PY 2010
ACTION PLAN SUBSTANTIAL AMENDMENT**

**COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM**

STATE OF ALABAMA

**Alabama Department of Economic and Community Affairs
401 Adams Avenue, Post Office Box 5690
Montgomery, Alabama 36103-5690
(334) 242-0492 • Fax (334) 353-3527 • www.adeca.alabama.gov**

NSP3 SUBSTANTIAL AMENDMENT

State of Alabama

1. NSP3 Grantee Information

NSP3 Program Administrator Contact Information	
Name (Last, First)	Olia, Shabbir
Email Address	shabbir.olia@adeca.alabama.gov
Phone Number	334-242-5468
Mailing Address	P. O. Box 5690 Montgomery, Alabama 36103-5690

2. Areas of Greatest Need

Map Submission

The maps generated at the U.S. Department of Housing and Urban Development (HUD) *NSP3 Mapping Tool for Preparing Action Plan* website will be submitted after the State's application, project review, and award process. As part of the application process, all applicants will be required to submit target area maps using HUD's NSP3 mapping tool. The State intends to utilize HUD's December 29, 2010, *Guidance on Mapping and Needs Data for State NSP3 Action Plans* which will require the State to submit a second Substantial Amendment by June 30, 2011.

Data Sources Used to Determine Areas of Greatest Need

Describe the data sources used to determine the areas of greatest need.

Response:

The State of Alabama will require applicants for NSP3 funds to utilize the HUD *Neighborhood Stabilization Program Data* website (<http://www.huduser.org/portal/datasets/NSP.html>) to submit the location of their NSP3 areas of greatest need as part of the competitive application process

utilized for the State's method of distribution. This HUD site provides estimates of foreclosure need and a foreclosure related needs scores at the Census Tract level. The scores range from 1 to 20, with a score of 20 indicating census tracts with the HUD-estimated greatest need.

To target funds to communities with the greatest need, HUD developed a formula utilizing the rate of subprime loans (Home Mortgage Disclosure Act data on high cost and high leverage loans made between 2004 and 2007 at the Census Tract level), the increase in unemployment rate (Bureau of Labor Statistics Local Area Unemployment Statistics between March 2005 and March 2010 at the city and county level), and the fall in home value from peak to trough (Federal Housing Finance Agency Home Price Index home value data available quarterly through March 2010 at the Metropolitan Area level). HUD also estimated for each neighborhood the number of foreclosure starts between January 2007 and March 2010 (from the Mortgage Bankers Association) as well as the number of foreclosure completions between January 2007 and June 2010 (from RealtyTrac). Each neighborhood was assigned the larger of the two estimates. Finally, HUD incorporated March 2010 administrative data from the United States Postal Service on addresses not picking up mail for 90 days or longer (adjusted using Census 2000 tract level data to remove vacant vacation properties from the count).

Only one other grantee in the State of Alabama will receive NSP3 funds. The City of Birmingham has been allocated \$2,576,151. The State of Alabama and the City of Birmingham will not be preparing a joint program. Housing needs for Birmingham are discussed in the *City of Birmingham Consolidated Plan 2005-2010* which can be found at the following link:

<http://www.informationbirmingham.com/pdf/wholedocument.pdf> . Additionally, housing needs for the entire state are discussed in the *State of Alabama Five Year Consolidated Plan Program Years 2010-2014* which can be found at the following link:

<http://www.adeca.alabama.gov/C17/2006%20Action%20Plans%20and%20Consolid/default.aspx>

Determination of Areas of Greatest Need and Applicable Tiers

Describe how the areas of greatest need were established.

Response:

The Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) provided additional funds for the Neighborhood Stabilization Program (NSP) that was originally established under the Housing and Economic Recovery Act of 2008. The statute calls for allocating funds to States and local governments with the greatest need, as determined by:

- (A) “The number and percentage of home foreclosures in each State or unit of general local government;
- (B) The number and percentage of homes financed by a subprime mortgage in each State or unit of general local government; and
- (C) The number and percentage of homes in default or delinquency in each State or unit of general local government.”

HUD has determined that for NSP3, the states and local governments with the greatest need for neighborhood stabilization funding are those communities that have high numbers of foreclosed and/or vacant properties in the neighborhoods with the highest concentrations of foreclosures, delinquent loans, and subprime loans. The basic formula allocates funds based on the number of

foreclosures and vacancies in the 20 percent of US neighborhoods (Census Tracts) with the highest rates of homes financed by a subprime mortgage, are delinquent, or are in foreclosure.

The net result is these funds are highly targeted to communities with the most severe neighborhood problems associated with the foreclosure crisis.

Due to receiving the minimum grant allocation and the desire to create a targeted, realistic NSP3 program, the State of Alabama intends to use a method of distribution which will utilize a competitive application process. All applicants will be required to submit target area maps using HUD's NSP3 mapping tool.

The State used the four counties HUD determined were the areas of greatest need under NSP1 as a starting point and then reviewed HUD's Neighborhood Stabilization Program Data to determine the highest concentrations of REO properties within these counties. Using a need score of 17 as a filter, Jefferson County alone accounts for 82% of the REO properties within these four counties. Using the State's minimum allowable need score of 15 as a filter, Jefferson County accounts for 72% of the REO properties.

Considering the large concentration of available REO properties in Jefferson County, the fact that HUD's only other NSP3 allocation in the State is to the City of Birmingham located in Jefferson County, the limited ability to potentially address 50 – 65 properties due to the minimum allocation of funds, and the desire to have as much impact as possible, the State will limit applications to projects located within Jefferson County neighborhood(s)/census tracts with a

NSP3 Foreclosure Need Score of 15 or greater. (Note: If more than one neighborhood is identified, the State will accept an average score of 15 or greater which is derived by averaging the neighborhood NSP3 need scores, weighting the scores by the estimated number of housing units in each identified neighborhood.) The State anticipates an application deadline of April 29, 2011; award decisions by May 31, 2011; publication of the second Substantial Amendment and comment period during June, with final submission to HUD no later than June 30, 2011.

Based on prior experience with NSP1, the State program has established a set of objectives to ensure NSP3 activities will be cost-effective, will have measurable impact and will be implemented in a timely manner.

State Objectives

1. To the extent feasible, an NSP3 activity must have a direct relationship to addressing redevelopment of abandoned and/or foreclosed upon and/or vacant multi-family or single-family properties.
2. Activity must have a measurable impact towards addressing needs related to abandoned and/or foreclosed upon and/or vacant multi-family or single-family properties.
3. Activity must be cost-effective for each unit assisted with NSP3 funds.
4. NSP3 funds, as much as possible, should be targeted towards hard costs, financing costs, or costs absolutely necessary to implement an activity. Soft-costs related to grant

administration and service delivery should be kept to a minimum.

5. Applicant should demonstrate capacity as a result of in-house experience to successfully carry-out the project.
6. The emergency nature of the program as well as the regulatory timeline on expenditure of funds dictates extreme importance of project readiness and timely completion in the project funding decision.

Eligible Applicants

Eligible applicants for NSP3 funds will be entities who have demonstrated capacity to directly carry-out NSP activities and who have successfully completed a minimum of 15 units without serious issues. Due to the State's minimum allocation of \$5,000,000, joint applications will not be accepted, although the State may consider a project that combines the use of State NSP3 funds with the NSP3 allocation to the City of Birmingham.

In addition, depending on the necessity to accomplish NSP3 objectives, the State will retain the option to directly or through contracts carry-out activities. The State may also consider applications from Indian Tribes to the extent their identified need meets program requirements.

Grant Ceilings

Applications will not be subject to ceilings; however, proposals will be reviewed in relation to need in the geographical area to be served and the number of proposals received from the same

target area.

For activities carried out directly or through contracts by the State, no ceiling will apply. Further, depending on the number of acceptable proposals received by the State, the State will retain full option to adjust grant size including awarding grants to any non-applicant entities to carry-out projects in areas of greatest need in compliance with CDBG NSP rules.

Competitive Project Reviews

The State will require all interested entities to submit applications which provide specific information about local projects to allow the State to complete reviews based on the State Objectives listed above. The assessment may involve qualitative and quantitative assessment to determine the extent to which the activity will assist areas of greatest need, applicant's capacity and readiness, and grant impact and cost-effectiveness. Based on best practices from the State's NSP1 program and in order to meet NSP3 program requirements, project reviews will include the following criteria:

- Applications for affordable rental units will be given priority. Multi-family rental properties may be given higher priority than single-family rental properties subject to other rating considerations.
- Proposed projects must target units located in Jefferson County within an area of greatest need with a NSP3 Foreclosure Need Score of 15 or greater.
- Applicant must demonstrate how program design will address local housing market conditions (see **Market Analysis* below) in the areas of greatest need.

- Applicant must be the entity who will maintain site control and directly carry-out NSP3 activities without the assistance of sub-recipients or sub-awardees.
- Applicant must demonstrate capacity to implement NSP3 as evidenced by the successful completion of at least 15 units under NSP1, with no serious issues. The State may consider relevant experience in lieu of the 15-unit requirement for applicants who did not participate in NSP1.
- Applicant must demonstrate prior experience successfully ensuring compliance with applicable rules and regulations such as environmental, labor standards, procurement, lead-based paint, civil rights, fair housing and equal opportunity.
- Applicant must demonstrate capacity to implement the NSP3 program expeditiously in order to expend 50 percent of the NSP3 funds within two years, expend 100 percent of the NSP3 funds and have units occupied within 3 years while in compliance with applicable rules and regulations as evidenced by progress to date with NSP1 funds and results of monitoring reviews.
- Applicant must demonstrate how 100 percent of funds will be used to provide housing for individuals or families whose incomes do not exceed 120 percent of area median income and how a minimum of 25 percent of funds will be used to provide housing for individuals or families whose incomes do not exceed 50 percent of area median income.
- Applicant will be required to identify continued affordability standards and enforcement mechanisms as part of their application for funding as well as their definition of affordable rents for NSP-assisted rental projects.
- Applicant must demonstrate how the project will strive to address at least 20 percent of the

foreclosed properties in the target area.

- Applicant must demonstrate how it will, to the maximum extent feasible, provide for the hiring of employees that reside in the vicinity of the project or contract with small businesses that are owned and operated by persons residing in the vicinity of the project.
 - Note: For purposes of NSP3, HUD defines “vicinity” as each neighborhood identified by the NSP3 applicant as being the areas of greatest need.
 - Note: The NSP3 local hiring requirement does not replace the responsibilities of the successful grantee under Section 3 of the Housing and Urban Development Act of 1968 and implementing regulations at 24 CFR Part 135, except to the extent the obligations may be in direct conflict.
- Applicant must detail how it proposes to utilize applicable housing rehabilitation standards to incorporate energy efficient and environmentally-friendly green elements such as Energy Star Qualified New Homes (for gut rehabilitation or new construction); American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (for gut rehabilitation or new construction of mid- or high-rise multifamily housing); Energy Star-46 labeled products; water efficient toilets, showers, and faucets such as those with the WaterSense label; and, where relevant, how housing will be improved to mitigate the impact of disasters.
- Applicant must detail how it proposes to affirmatively market housing opportunities.

*Market Analysis: Application instructions will further detail the necessary components of a market analysis which may include items such as sales volume, sales price, cost and availability

of credit, absorption rate, and age of listings. The analysis will include the likely volume of properties eligible for NSP3 activities. Other important market issues could include typical development costs, level of required rehabilitation, price volatility, resale and lease-up time, property type, property/project size, level of homeownership, and other factors that could impact the success of the program. It is important to select areas of need whose market conditions will support the local program and where there is a reasonable likelihood the local program will have a stabilizing impact on the community.

Applicants will be allowed to incur pre-agreement costs subject to the applicant receiving a final grant award.

If final awards do not total the available allocation for distribution, or if during the course of implementation, a sub-recipient or developer does not have a satisfactory expenditure rate, the State will de-obligate appropriate balances and will carry-out activities directly using all available means including using its own employees, procuring contractors, private developers, and providing loans and grants to or through nonprofits, or reward high performers receiving NSP3 grants with additional funds.

To the extent possible, sub-recipients and developers will be encouraged to carry out their NSP3 activities in the context of a comprehensive plan for the community's vision of how it can make its neighborhoods not only more stable, but also more sustainable, inclusive, competitive, and integrated into the overall metropolitan fabric, including access to transit, affordable housing,

employers, and services.

Sub-recipients and developers will be required to ensure that program information is available in the appropriate languages for the geographic area to be served with NSP3 funds.

3. Definitions and Descriptions

Definitions

Term	Definition
Blighted Structure	<p data-bbox="516 688 1430 867">Title 24 Housing, Section 24-2-2 (c) of The Code of Alabama 1975 defines “blighted property” as “property that contains any of the following factors:</p> <ul data-bbox="516 909 1430 1759" style="list-style-type: none"><li data-bbox="516 909 1430 1308">• The presence of structures, buildings, or improvements, which, because of dilapidation, deterioration, or unsanitary or unsafe conditions, vacancy or abandonment, neglect or lack of maintenance, inadequate provision for ventilation, light, air, sanitation, vermin infestation, or lack of necessary facilities and equipment, are unfit for human habitation or occupancy.<li data-bbox="516 1350 1430 1602">• The existence of high density of population and overcrowding or the existence of structures which are fire hazards or are otherwise dangerous to the safety of persons or property or any combination of the factors.<li data-bbox="516 1644 1430 1759">• The presence of a substantial number of properties having defective or unusual conditions of title which make the free transfer or

alienation of the properties unlikely or impossible.

- The presence of structures from which the utilities, plumbing, heating, sewerage, or other facilities have been disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.
- The presence of excessive vacant land on which structures were previously located which, by reason of neglect or lack of maintenance, has become overgrown with noxious weeds, is a place for accumulation of trash and debris, or a haven for mosquitoes, rodents, or other vermin where the owner refuses to remedy the problem after notice by the appropriate governing body.
- The presence of property which, because of physical condition, use, or occupancy, constitutes a public nuisance or attractive nuisance where the owner refuses to remedy the problem after notice by the appropriate governing body.
- The presence of property with code violations affecting health or safety that has not been substantially rehabilitated within the time periods required by the applicable codes.
- The presence of property that has tax delinquencies exceeding the value of the property.
- The presence of property which, by reason of environmental contamination, poses a threat to public health or safety in its present

	<p>condition.”</p> <p>(Acts 1949, No. 491, p. 713, §2; Acts 1967, No. 416, p. 1070, §2; Act 2006-584, p. 1544, §1.)</p>
Affordable Rents	<p>Rent will be considered affordable if it falls within the Official Individual Area Fair Market Rents (FMR) as published in the Federal Register. These FMRs are utilized by the Alabama Housing Finance Authority which administers the State’s Home Investments Partnership Program (HOME). The table for the 2010 HOME Program Income/Rent Limits for the State of Alabama can be found at the following link:</p> <p>www.ahfa.com/Compliance/IncRentLimits_HOME2010.aspx</p>

Descriptions

Term	Definition										
Long-Term Affordability	<p>For NSP assisted housing, the State of Alabama will use the HOME program standards at 24 CFR 92.252(a),(c),(e) and (f) and 92.254 to ensure continued affordability.</p> <p>For rental housing rehabilitation or acquisition of existing housing:</p> <table border="1" data-bbox="516 1472 1437 1801"> <thead> <tr> <th>Per Unit Amount of NSP3 Funds</th> <th>Minimum Period of Affordability in Years</th> </tr> </thead> <tbody> <tr> <td>Under \$15,000</td> <td>5</td> </tr> <tr> <td>\$15,000 to \$40,000</td> <td>10</td> </tr> <tr> <td>Over \$40,000</td> <td>15</td> </tr> <tr> <td>New construction or acquisition of newly constructed housing</td> <td>20</td> </tr> </tbody> </table>	Per Unit Amount of NSP3 Funds	Minimum Period of Affordability in Years	Under \$15,000	5	\$15,000 to \$40,000	10	Over \$40,000	15	New construction or acquisition of newly constructed housing	20
Per Unit Amount of NSP3 Funds	Minimum Period of Affordability in Years										
Under \$15,000	5										
\$15,000 to \$40,000	10										
Over \$40,000	15										
New construction or acquisition of newly constructed housing	20										

For homeownership assistance:

Per Unit Amount of NSP3 Funds	Minimum Period of Affordability in Years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

Under the State's Neighborhood Stabilization Program, subprime mortgages are discouraged. Sub-recipients and developers must ensure and document compliance that each homebuyer obtains a mortgage loan from a lender who agrees 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 the following link: <http://www.fdic.gov/regulations/laws/rules/5000-5186.html>).

Further, sub-recipients and developers must require each NSP-assisted homebuyer to receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

	<p>Enforcement requirements will be passed down to sub-recipients and developers to ensure to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and/or foreclosed upon and/or vacant homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301(f)(3)(A)(ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income. Applicants will be required to identify their continued affordability standards and enforcement mechanisms as part of their application for funding as well as their definition of affordable rents for NSP-assisted rental projects.</p>
<p>Housing Rehabilitation Standards</p>	<p>Applicants will be required to identify the relative building code(s) applicable to their activities as part of the application for funding process. At a minimum, the State will accept the Standard (Southern) Building Code (SBCCI) or HUD's Housing Quality Standards (HQS) as identified at Title 24 of the Code of Federal Regulations, Chapter IX, Part 982.401.</p> <p>Rehabilitation activities shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing</p>

safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. The State will strongly encourage sub-recipients and developers to not only stabilize neighborhoods in the short-term, but to strategically incorporate energy efficient and environmentally-friendly green elements as part of their rehabilitation activities to provide for long-term affordability and increased sustainability. Green elements may include transit accessibility, green building standards, reuse of cleared sites, deconstruction, renewable energy, water conservation, energy efficient materials and healthy homes as described in the *Green Housing Development Guide* located at the following link: <http://hudnspHELP.info/media/resources/GreenHousingDevelopmentGuide.pdf>.

All rehabilitation must meet or exceed local building codes. While the State of Alabama does not have a uniform, statewide building code for residential properties, most jurisdictions voluntarily adopt varying codes such as:

- International Building Code (IBC)
- International Energy Conservation Code (IECC)
- International Existing Building Code (IEBC)
- International Fire Code (IFC)
- International Fuel Gas Code (IFGC)
- International Mechanical Code (IMC)
- International Performance Code (ICCPC)
- International Plumbing Code (IPC)
- International Private Sewage Disposal Code (IPSDC)

- International Property Maintenance Code (IPMC)
- International Residential Code (IRC)

All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.

All gut rehabilitation or new construction of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).

Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.

	<p>Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.</p> <p>Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., hurricane, flooding, fire).</p>
--	--

4. Low-Income Targeting

Low-Income Set-Aside Amount

Identify the estimated amount of funds appropriated or otherwise made available under the NSP3 to be used to provide housing for individuals or families whose incomes do not exceed 50 percent of area median income.

Response:

Total low-income set-aside **percentage** (must be no less than 25 percent): 25 percent

Total funds set aside for low-income individuals = **\$1,250,000.00**

Meeting Low-Income Target

Provide a summary that describes the manner in which the low-income targeting goals will be met.

Response:

The State of Alabama will use its method of distribution, application for funds, and project review and award process to ensure that no less than 25 percent of its initial NSP3 award will be used to purchase and redevelop abandoned and/or foreclosed upon and/or vacant homes or residential properties that will house individuals or families whose incomes do not exceed 50 percent of area median income. Further, the State will encourage each NSP3 applicant to develop activities whereby at least 25 percent of their grant amount will be expended on low-income targeted activities. At the present time, the State anticipates targeted activities will

consist primarily of activities related to affordable rental housing. Based on an allocation of \$5,000,000, 25 percent or \$1,250,000 will be expended on low-income targeted activities.

5. Acquisition and Relocation

Demolition or Conversion of LMI Units

<p>Does the grantee intend to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income)?</p> <p>Demolition or conversion of low- and moderate-income dwelling units is an eligible NSP3 activity under the State of Alabama's program; however, the State does not anticipate significant activities to involve demolition or conversion of low- and moderate-income dwelling units. If activities result in displacement, the State will require its sub-recipients/developers to comply with URA for all affected residents.</p>	
---	--

If yes, fill in the table below.

Question	Number of Units
<p>The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.</p>	<p>Will be available upon completion of the State's application review and award process.</p>
<p>The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).</p>	<p>Will be available upon completion of the State's application review and award process.</p>

<p>The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.</p>	<p>Will be available upon completion of the State's application review and award process.</p>
--	---

6. Public Comment

Citizen Participation Plan

Briefly describe how the grantee followed its citizen participation plan regarding this proposed substantial amendment or abbreviated plan.

Response:

The State of Alabama posted the draft Substantial Amendment in English and Spanish on ADECA's NSP website on January 27, 2011. A hard copy was also made available for review at the ADECA office in Montgomery. A comment period was allowed from January 28 until February 11, 2011. Individuals were offered the opportunity to comment in writing via formal correspondence, fax, or e-mail. ADECA's website also offered the ability to submit written comments.

In an effort to broaden public participation, the State e-mailed a notice of availability of the draft Substantial Amendment to (and solicited input from) potential interested parties including the League of Municipalities, Association of County Commissions, entitlement communities, public housing authorities, community action agencies, continuums of care, fair housing agencies, credit counseling services, nonprofit agencies including Habitat for Humanity and AIDS Alabama, regional planning and development commissions, grant professionals, rural and urban renewal communities, veterans affairs, Fannie Mae and HUD.

Summary of Public Comments Received.

The following is a summary of public comments received:

Comment #1: Recommend ADECA focus a portion of NSP3 funds on low-income Alabamians living with HIV disease.

ADECA Response: Under the State's proposed program, eligible applicants may apply for permanent housing activities which provide affordable rental or ownership opportunities. While the State is required to allocate 25% of its NSP3 funds for individuals and families whose income does not exceed 50% of area median income, this is a minimum set-aside and could increase to a significantly higher percentage depending on applications received and projects selected for funding. It's difficult to design a program that completely satisfies all parties' interests, but your suggestion is being given careful consideration. Thank you for your comment and your interest in the State's NSP3 Program.

Comment #2: Alarmed by omission of Huntsville as a community to receive grant funds, especially when there are two neighborhoods with Need Scores of 15 and sincerely request the success of our local NSP program be considered when allocating funds to the current neighborhoods of need.

ADECA Response: We understand your concern that Huntsville is not an eligible community under the State's proposed Plan even though it has two Census Tracts containing four Block Groups with a Minimum Need Score of 15. The proposed geographic area to be targeted contains over 450 Block Groups with a Minimum Need Score of 15 or higher. While we appreciate your NSP1 success to date, we're sure you understand the State's limited ability to fund multiple geographic areas due to our receiving the minimum allocation of funds. It's difficult to design a program that completely satisfies all parties' interests, but your suggestion is being given careful consideration. Thank you for your comment and your interest in the State's NSP3 Program.

Comment #3: Can clarity be provided to assure the completion of a minimum of 15 units without issues is not only related to the NSP program and consideration will be given to experience with housing rehabilitation or similar programs?

ADECA Response: While page 7 states eligible applicants will be entities who have demonstrated capacity to directly carry-out NSP activities and who have successfully completed a minimum of 15 units without serious issues, page 9 further clarifies the State will consider relevant experience in lieu of the 15-unit requirement for applicants who did not participate in NSP1.

Comment #4: Consideration should be given to joint applications. The opportunity to pool resources could greatly enhance the impact of the limited funding received under NSP3.

ADECA Response: Even though our NSP1 program allowed joint applications and the opportunity to leverage other funds, the State’s experience to date has offered no evidence of pooled resources for NSP1 activities. The State’s NSP3 proposed individual application process provides the opportunity to leverage other funds to enhance the program’s impact. It’s difficult to design a program that completely satisfies all parties’ interests, but your suggestion is being given careful consideration. Thank you for your comment and your interest in the State’s NSP3 Program.

Comment #5: Consideration should be given to eliminate the requirement that applicants must be the entity who will maintain site control and directly carry-out NSP3 activities without assistance of sub-recipients or sub-awardees.

ADECA Response: The State’s extensive experience with NSP1 has proven most awards were implemented in a more expedient manner with fewer difficulties when the recipient actually maintained site control and directly carried-out the activities. As NSP3 requires onerous expenditure deadlines, the State’s Plan proposes a proven timely and effective solution for program implementation. A unit of government will be considered an eligible applicant under the proposed Plan if it chooses to maintain site control and directly carry-out activities. It’s difficult to design a program that completely satisfies all parties’ interests, but your suggestion is being given careful consideration. Thank you for your comment and your interest in the State’s NSP3 Program.

7. NSP Information by Activity

Enter each activity name and fill in the corresponding information.

Activities											
Activity Name	Detailed information by activity will be available upon completion of the State’s application review and award process. This information will be submitted to HUD in the State’s second Substantial Amendment no later than June 30, 2011. It is currently anticipated that the State’s NSP3 funds will be expended for the uses and activities listed below:										
Uses	Select all that apply: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Eligible Use A: Financing Mechanisms</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Eligible Use B: Acquisition and Rehabilitation</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td>Eligible Use C: Land Banking</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Eligible Use D: Demolition</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Eligible Use E: Redevelopment</td> </tr> </table>	<input checked="" type="checkbox"/>	Eligible Use A: Financing Mechanisms	<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation	<input type="checkbox"/>	Eligible Use C: Land Banking	<input checked="" type="checkbox"/>	Eligible Use D: Demolition	<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment
<input checked="" type="checkbox"/>	Eligible Use A: Financing Mechanisms										
<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation										
<input type="checkbox"/>	Eligible Use C: Land Banking										
<input checked="" type="checkbox"/>	Eligible Use D: Demolition										
<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment										

CDBG Activity or Activities	Applicable CDBG Activities are acquisition, eligible rehabilitation and preservation activities for homes and other residential properties, disposition, relocation, direct homeownership assistance, activity delivery cost for an eligible activity, housing counseling for those seeking to take part in an activity, demolition and clearance for blighted structures only, public facilities and improvements, and administration.	
National Objective	Specific national objectives will be available upon completion of the State's application review and award process and will be submitted to HUD in the State's second Substantial Amendment no later than June 30, 2011. At this time, the State anticipates the national objective for most activities will be LMMH (providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120 percent of area median income). However, it is possible an activity could meet the LMMA national objective (serving an area in which at least 51 percent of the residents have incomes at or below 120 percent of area median income).	
Activity Description	Detailed activity descriptions will be available upon completion of the State's application review and award process. This information will be submitted to HUD in the State's second Substantial Amendment no later than June 30, 2011. Applicants will be required to include the following information by activity: how the activity will address local market conditions, range of interest rates (if any), duration or term of assistance, tenure of beneficiaries (renters or homeowners), expected benefit to income-qualified persons or households or areas, how the design of the activity will ensure continued affordability, how the applicant will provide for vicinity hiring or contract with small businesses owned and operated by persons residing in the vicinity to the maximum extent possible including information on existing local ordinances that address these requirements, and procedures used to create affordable rental housing.	
Location Description	Jefferson County in an area of greatest need with a NSP3 Foreclosure Need Score of 15 or greater.	
Budget	Source of Funding	Dollar Amount
	NSP3	\$5,000,000
	(Other funding source)	\$
	(Other funding source)	\$
Total Budget for Activity		\$5,000,000
Performance Measures	Performance measures will include number of units to be acquired, rehabilitated, or demolished for the income levels represented in DRGR.	

	Performance measures will also include whether or not the units are multi-family or single-family, whether tenure is renter or owner, and whether benefit provided is a direct benefit or for a service area. Further, the State will report race, ethnicity, and female head of household characteristics of beneficiaries as well as any additional performance measures required by prevailing HUD guidance.	
Projected Start Date	Upon receipt of grant from HUD and execution of a grant/developer agreement between the State and the respective sub-recipient/developer.	
Projected End Date	Within three years of receipt of grant.	
Responsible Organization	Name	Will be available upon completion of the State's application review and award process. Will be submitted to HUD in the State's second Substantial Amendment no later than June 30, 2011.
	Location	Will advise.
	Administrator Contact Info	Will advise.

Application for Federal Assistance SF-424

Version 02.

*1. Type of Submission:

- Preapplication
- Application
- Changed/Corrected Application

*2. Type of Application

- New
- Continuation
- Revision

* If Revision, select appropriate letter(s)

*Other (Specify)

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

*5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: State of Alabama

*b. Employer/Taxpayer Identification Number (EIN/TIN):

63-6000619

*c. Organizational DUNS:

06-262-0604

d. Address:

*Street 1: 401 Adams Avenue

Street 2: PO Box 5690

*City: Montgomery

County: Montgomery

*State: AL

Province: _____

*Country: USA

*Zip / Postal Code: 36103-5690

e. Organizational Unit:

Department Name:

Alabama Department of Economic and Community Affairs

Division Name:

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr. *First Name: Jim

Middle Name: _____

*Last Name: Byard

Suffix: Jr.

Title: Director

Organizational Affiliation:

*Telephone Number: 334-242-5090

Fax Number: 334-242-5099

*Email: Jim.Byard@adeca.alabama.gov

Application for Federal Assistance SF-424

Version 02

*9. Type of Applicant 1: Select Applicant Type:

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

*10 Name of Federal Agency:

U.S. Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.228 _____

CFDA Title:

Community Development Block Grants/State's Program _____

*12 Funding Opportunity Number:

*Title:

13. Competition Identification Number:

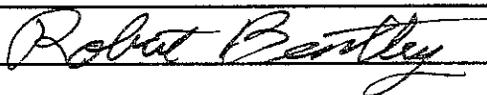
Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Jefferson County

*15. Descriptive Title of Applicant's Project:

Neighborhood Stabilization Program 3 (NSP3) Substantial Amendment to PY2010 CDBG Action Plan

Application for Federal Assistance SF-424		Version 02
16. Congressional Districts Of:		
*a. Applicant: AL-All	*b. Program/Project: AL-All	
17. Proposed Project:		
*a. Start Date: 4-15-11	*b. End Date: N/A	
18. Estimated Funding (\$):		
*a. Federal	_____	\$5,000,000.00
*b. Applicant	_____	
*c. State	_____	
*d. Local	_____	
*e. Other	_____	
*f. Program Income	_____	
*g. TOTAL	_____	\$5,000,000.00
*19. Is Application Subject to Review By State Under Executive Order 12372 Process?		
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12372 Process for review on _____		
<input type="checkbox"/> b. Program is subject to E.O. 12372 but has not been selected by the State for review.		
<input checked="" type="checkbox"/> c. Program is not covered by E. O. 12372		
*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)		
<input checked="" type="checkbox"/> ** I AGREE		
** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions		
Authorized Representative:		
Prefix: <u>The Honorable</u>	*First Name: <u>Robert</u>	
Middle Name: _____		
*Last Name: <u>Bentley</u>		
Suffix: _____		
*Title: Governor		
*Telephone Number: 334-242-7100		Fax Number: 334-353-0004
* Email: _____		
*Signature of Authorized Representative: 		*Date Signed: <u>2-22-11</u>

NSP3 Certifications

Certifications for State and Entitlement Communities

- (1) **Affirmatively furthering fair housing.** The jurisdiction certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-displacement and relocation plan.** The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.
- (3) **Anti-lobbying.** The jurisdiction must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (4) **Authority of jurisdiction.** The jurisdiction certifies that the consolidated plan or abbreviated plan, as applicable, is authorized under state and local law (as applicable) and that the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (5) **Consistency with plan.** The jurisdiction certifies that the housing activities to be undertaken with NSP funds are consistent with its consolidated plan or abbreviated plan, as applicable.
- (6) **Acquisition and relocation.** The jurisdiction certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP program published by HUD.
- (7) **Section 3.** The jurisdiction certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (8) **Citizen participation.** The jurisdiction certifies that it is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (9) **Following a plan.** The jurisdiction certifies it is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD. [Only States and entitlement jurisdictions use this certification.]
- (10) **Use of funds.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and

Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.

(11) The jurisdiction certifies:

- a. that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and
- b. The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) Excessive force. The jurisdiction certifies that it has adopted and is enforcing:

- a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and
- b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

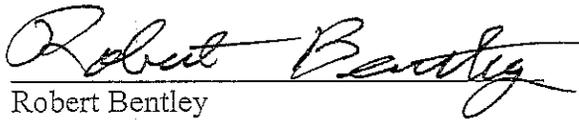
(13) Compliance with anti-discrimination laws. The jurisdiction certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

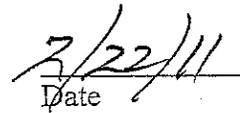
(14) Compliance with lead-based paint procedures. The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) Compliance with laws. The jurisdiction certifies that it will comply with applicable laws.

(16) Vicinity hiring. The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of NSP3 funded projects or contract with small businesses that are owned and operated by persons residing in the vicinity of NSP3 projects.

(17) **Development of affordable rental housing.** The jurisdiction certifies that it will abide by the procedures described in its NSP3 Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.


Robert Bentley


Date

Governor