

**CITY OF ALLENTOWN
CONSOLIDATED PLAN-ONE YEAR ACTION PLAN AMENDMENT
2008-2009**

**ACTION PLAN FOR THE NEIGHBORHOOD STABILIZATION PROGRAM
NOVEMBER 2008**

FINAL

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction: City of Allentown	NSP Contact Person: Heidi K. Baer, Grants Coordination Manager
Lead Agency: Department of Community and Economic Development	Address: City of Allentown 435 Hamilton Street Allentown, PA 18101
Web Address for NSP Amendment: www.allentownpa.gov/tabid/296/Default.aspx	Telephone: 610-437-7761 Fax: 610-439-5947 Email: baer@allentowncity.org

This document represents a substantial amendment to the City of Allentown's Action Plan for the period July 1, 2008 to June 30, 2009. The Action Plan describes the activities the City of Allentown plans to undertake using its Federal Community Development Block Grant Program, HOME Investment Partnership Program and Emergency Shelter Grants Program funds. The July 1, 2008- June 30, 2009 Action Plan is the fourth Action Plan update to the City of Allentown's Consolidated Plan for the period July 1, 2005 to June 30, 2010. This amendment outlines the expected distribution and use of \$2,113,456 from the Neighborhood Stabilization Program (NSP), recently authorized by the Housing and Economic Recovery Act of 2008 (HERA). These funds are provided by the United States Department of Housing and Urban Development (HUD) as an adjunct to the Community Development Block Grant Program.

The City of Allentown's Department of Community and Economic Development will oversee, administer and manage the NSP funds.

The purpose of the NSP funds is to address the negative ramifications of the housing crisis that occurred over the past five years due to subprime mortgage lending. Nationally, subprime mortgage lending resulted in significant number of homeowners entering into foreclosure, with entire neighborhoods becoming vacant and abandoned. Pennsylvania, while experiencing subprime mortgage lending rates that were above the national average, has not shown the same amount of housing foreclosures. Likewise, the City of Allentown has not exhibited the same level of housing foreclosures as those seen in some areas, such as Las Vegas and several municipalities in California, Florida and Arizona. The City attributes some of this difference to its long term support of homeownership counseling programs which are provided to low/moderate income households, down payment and closing cost assistance for low/moderate income households and first time homebuyer programs run by several non-profit housing developers. This variety of programs all warn about, discourage and do not allow the use of financing provided by predatory lenders.

The City of Allentown will use NSP funds for the purposes intended; to promote neighborhood stabilization where subprime lending, foreclosure and housing vacancies have negatively affected the housing market.

A. Areas of Greatest Need

The City of Allentown has determined that it will use the following sources of data to define its areas of greatest need.

HUD Risk Score- The HUD Risk Score measures the estimated foreclosure and abandonment risk of every Census Tract and Block Group in the City of Allentown. This score includes data to assess areas with the greatest percentage of home foreclosures, the highest percentage of homes financed by a subprime mortgage-related loan, and identified as likely to face a significant increase in the rate of home foreclosures. The HUD risk score also addresses all of the statutorily required needs factors. This score is scaled from 0-10, with 10 being the highest or greatest risk. A complete listing of the risk score and data for each Census Tract and Block groups is available at the following website:
http://www.huduser.org/publications/commdevl/excel/PA120_LM.xls.

The following map identifies those census tracts within the City of Allentown with the highest risk of foreclosure, based on the HUD data formulas. The contiguous Census Tracts of 8, 9, 10, 11 and 18 are highlighted as the areas of high risk for foreclosure/abandonment.

Estimated foreclosure/abandonment risk score, according to HUD, as of 2008.

HUD's estimated foreclosure/abandonment risk score provides a score for each neighborhood from 0 to 10, where 0 indicates that HUD's analysis suggests a very low risk and 10 suggests a very high risk. This score does not provide the actual level of foreclosures in each neighborhood, but rather indicates that there is a risk for problems. These data were released by HUD through their website to help grantees apply for the Neighborhood Stabilization Program in keeping with the stipulations laid out in the Housing and Economic Recovery Act of 2008. Grey shading in the map indicates that either the data released by HUD did not include these areas or that HUD gave these locations more than one score.

Pennsylvania > Lehigh County > Allentown > Allentown > 18102

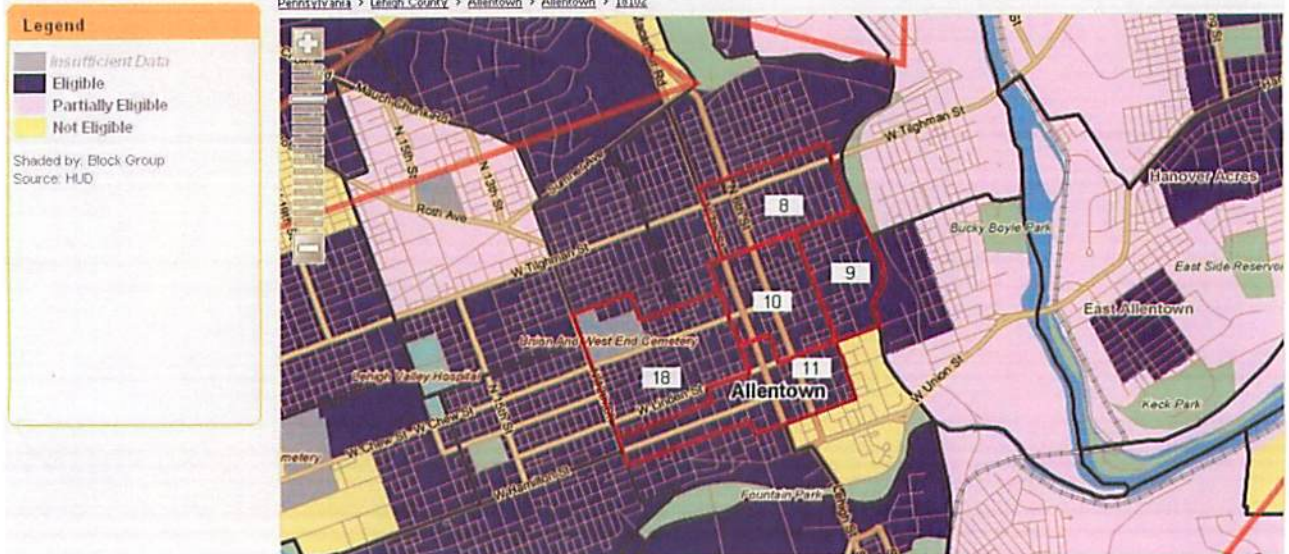


Income Eligibility Status - The following map identifies those Census Tract and Block Group Areas which contain the highest percentage of income qualified participants. The Census Tracts identified above as areas of High Risk for Foreclosure are also areas of income eligibility. This data is provided by HUD.

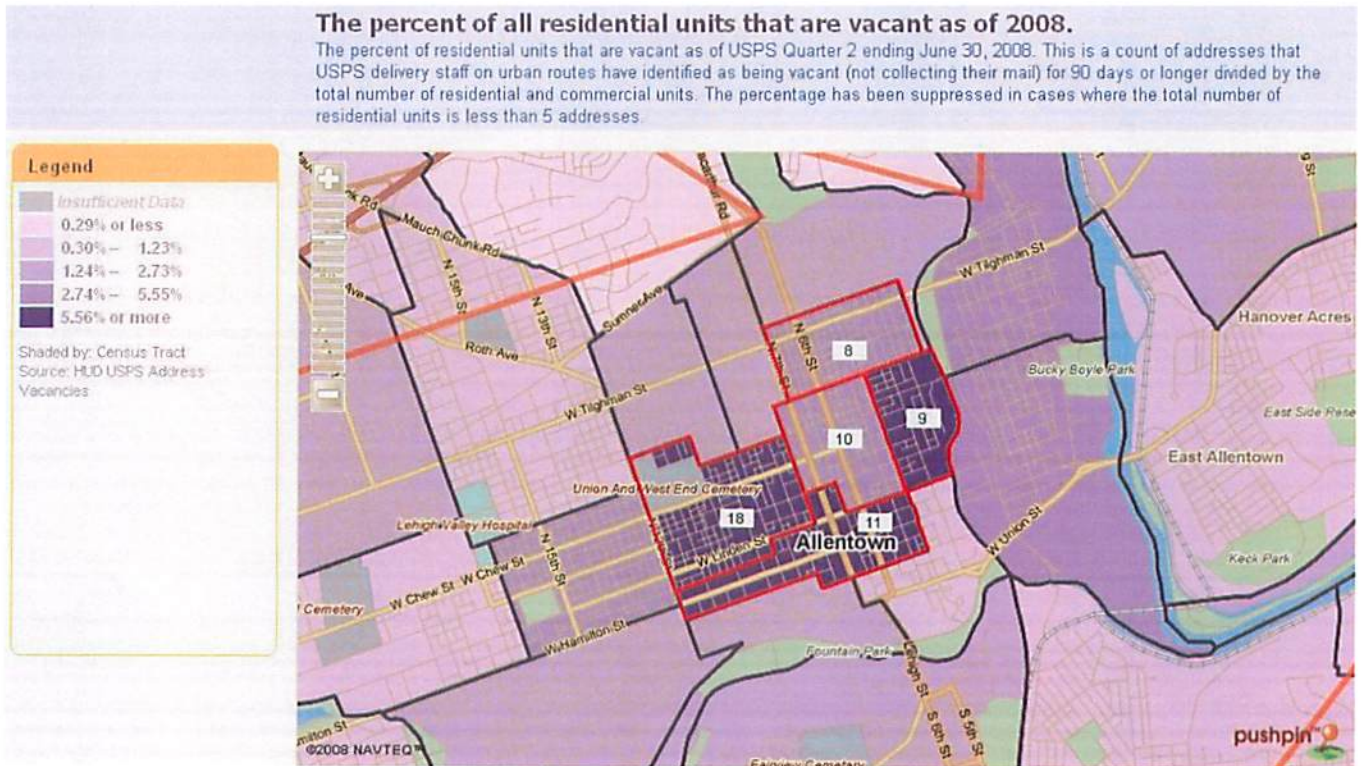
HUD Neighborhood Stabilization Program income eligibility status, as of 2008.

HUD Neighborhood Stabilization Program (NSP) income eligibility status, according to HUD, as of 2008. Areas that are shown in dark purple on the map as Eligible qualify as areas of low-, moderate, and middle-income (LMMH) benefit, according to HUD. These data were released by HUD to help grantees apply for the NSP in keeping with the stipulations laid out in the Housing and Economic Recovery Act of 2008. These Eligible areas satisfy the requirement that the NSP funds be used to serve persons less than 120% of HUD Area Median Income (AMI). Areas shown on the map in light purple and labeled as Partially Eligible include both eligible and ineligible areas within a blockgroup; users will need to consult HUD data directly to determine if their site meets income eligibility guidelines. Yellow areas of the map are not eligible. Grey shading in the map indicates that the data released by HUD did not include these areas.

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Vacancy of Units - The following map depicts the United States Postal Service (USPS) vacancy rate for the quarter ending June 30, 2008. The areas of higher vacancy correspond to the areas of high risk for foreclosure and areas of income eligibility, as described previously.

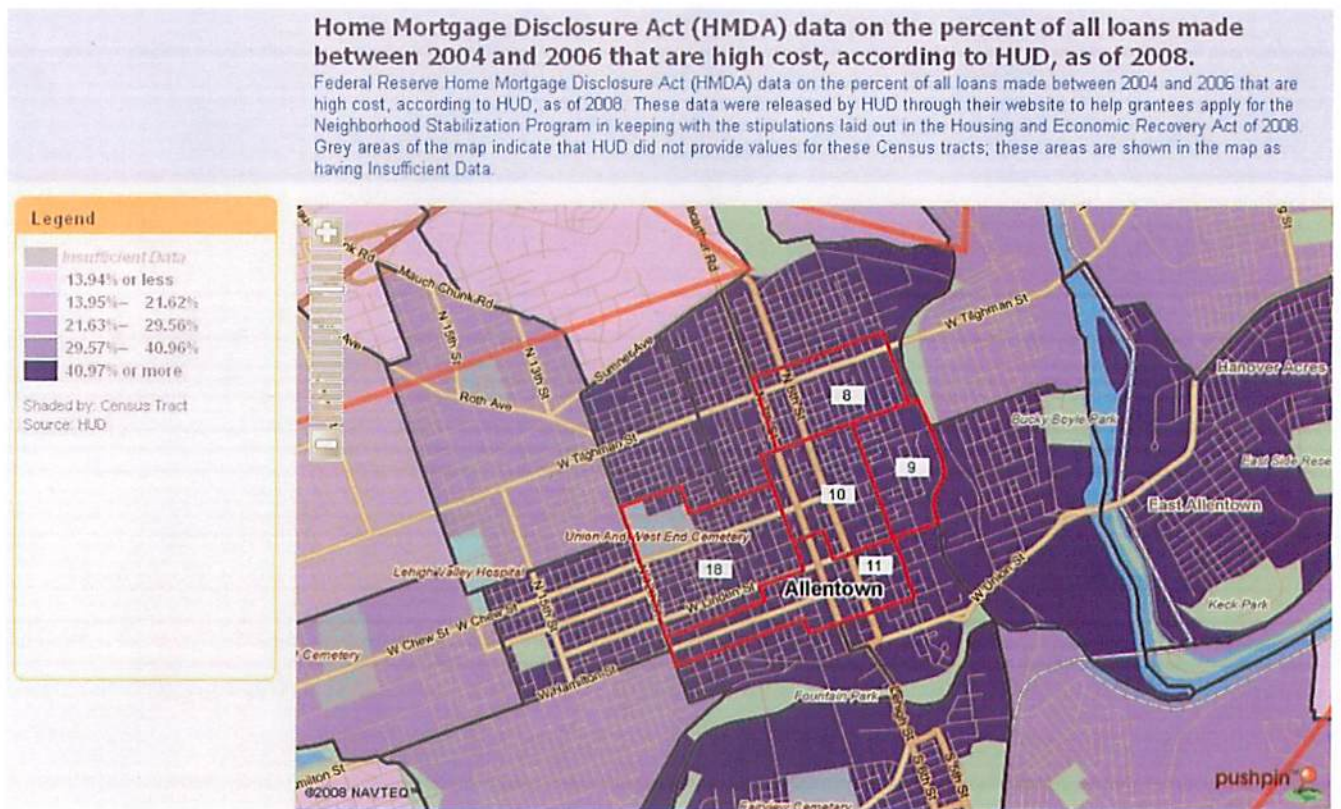


In order to focus its limited funds, and provide the greatest impact in stabilizing an at risk area, the City of Allentown has identified its “Area of Greatest Need” as the contiguous Census Tracts, 8,9,10,11 and 18. These Census Tracts are located in the Center City of Allentown, and also represent a smaller cross section of the Focus Area identified as the area of greatest need for revitalization in its Consolidated Plan for the period July 1, 2005 to June 30, 2010.

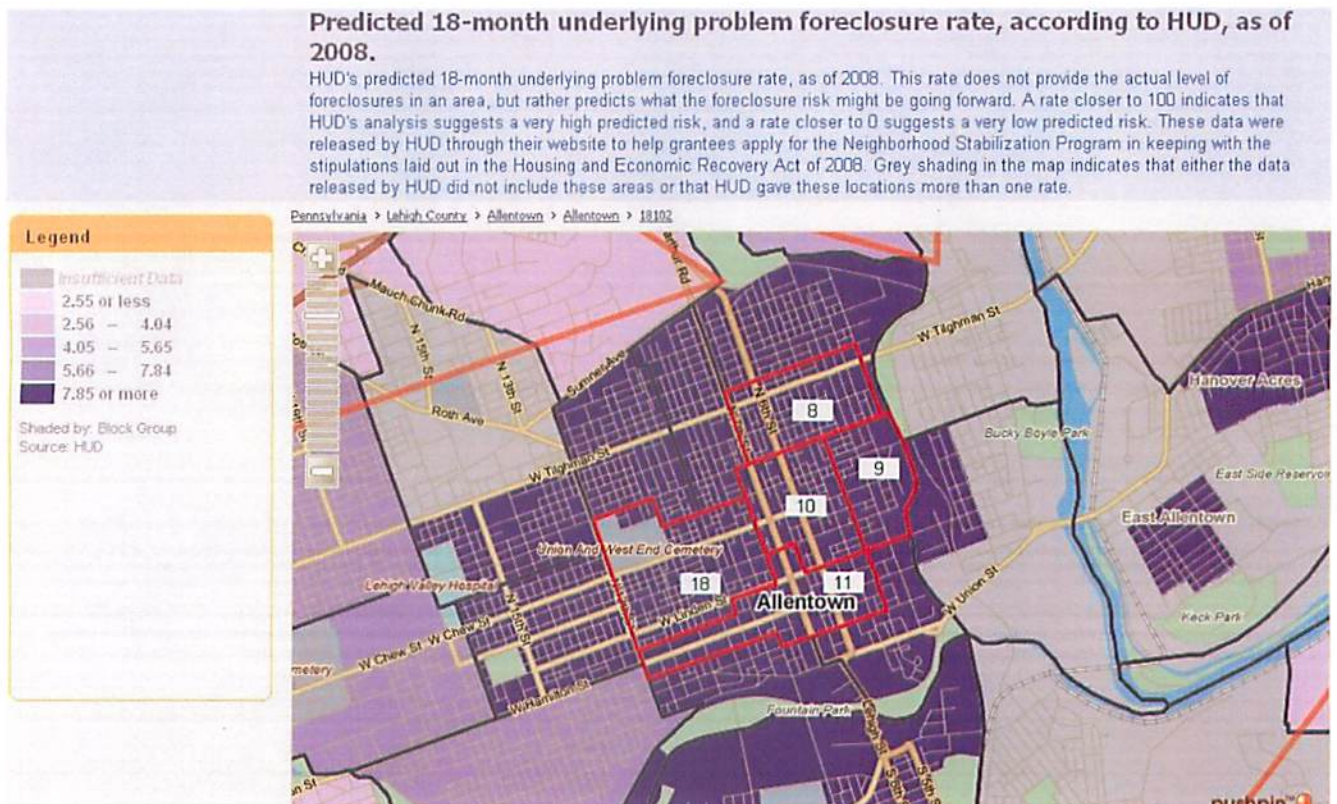
B. DISTRIBUTION AND USES OF FUNDS

As required by the HERA regulations, the City of Allentown will target its NSP funds to the areas of greatest need, including those with the greatest percentage of home foreclosures and those identified as likely to face a significant rise in the rate of home foreclosures.

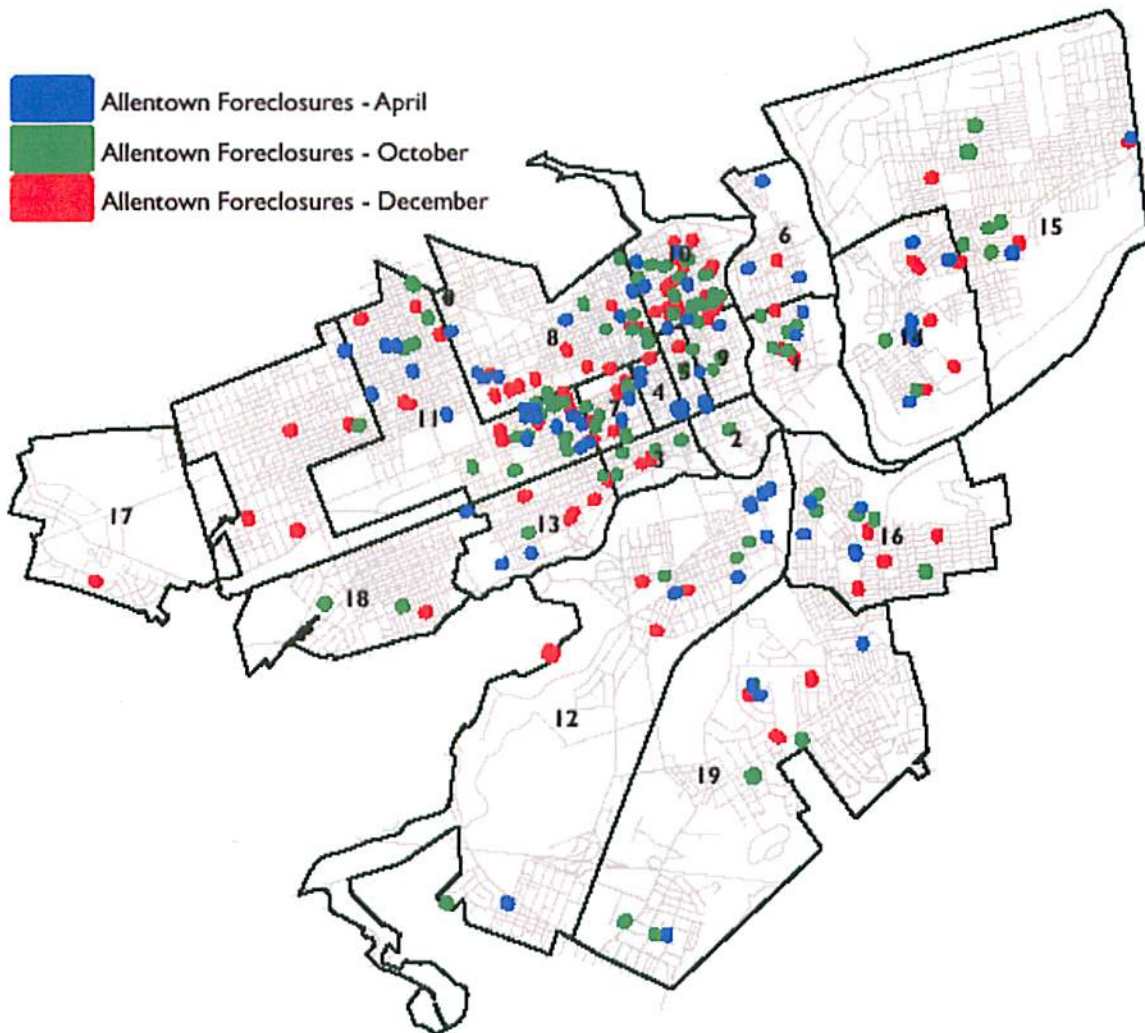
The following map depicts Home Mortgage Disclosure Act (HMDA) data on the percent of high cost loans. Although much of the City falls into the highest percentage area, the City will target its funds to the Census Tracts described previously, in order to make the most impact on the targeted neighborhood.



To further assist the City in designating the use of funds, the following map depicts a predicted 18 month foreclosure rate, using data provided by HUD.



Finally, the following map depicts Sheriff Sales (of foreclosed properties) in Allentown for April, October and those listed for December 2008. Please note, the following data is arranged by wards, not Census Tracts.



Based on the data depicted in the above three maps, the City of Allentown will distribute funds in the areas of greatest needs, Census Tracts 8, 9, 10, 11 and 18.

C. DEFINITIONS

1. Blighted Structure

The City of Allentown and the Redevelopment Authority of the City of Allentown utilize the states definition of “blighted property” as found in Pennsylvania’s Urban Redevelopment Law found at 35 P.S. § 1712.1 (c). For the purposes of the NSP grant, this definition shall apply. A property is defined as blighted if it meets one or more of the following criteria.

- a. A premise which because of physical condition or use is regarded as a public nuisance at common law or has been declared a public nuisance in accordance with the local housing, building, plumbing, fire and related codes.
- b. A premise which because of physical condition, use or occupancy is considered an attractive nuisance to children, including but not limited to abandoned wells, shafts, basements, excavations, and unsafe fences or structures.
- c. A dwelling which because it is dilapidated, unsanitary, unsafe, vermin-infested or lacking in the facilities and equipment required by the housing code of the municipality, has been designated by the department responsible for enforcement of the code as unfit for human habitation.
- d. A structure which is a fire hazard, or is otherwise dangerous to the safety of persons or property.
- e. A structure 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.
- f. A vacant or unimproved lot or parcel of ground in a predominantly built-up neighborhood, which by reason of neglect or lack of maintenance has become a place for accumulation of trash and debris, or a haven for rodents or other vermin.
- g. An unoccupied property which has been tax delinquent for a period of two years prior to the effective date of this act, and those in the future having a two year tax delinquency.
- h. A property which is vacant but not tax delinquent, which has not been rehabilitated within one year of the receipt of notice to rehabilitate from the appropriate code enforcement agency.
- i. An abandoned property.

j. A property which has defective or unusual conditions of title or no known owners rendering title unmarketable.

k. A property which has environmentally hazardous conditions.

l. A property having three of more of the following characteristics: (i) does not meet current use, occupancy or fire codes; (ii) has unsafe external and internal access ways; (iii) is being served by an unsafe public street or right-of-way; (iv) violates the applicable property maintenance code; (v) is vacant; (vi) is located in a redevelopment area with a density of at least 1,000 people per square mile or with more than 90% of the units of property being nonresidential

2. Affordable Rents

The City of Allentown defines rents as affordable when a household pays no more than 30 percent of its gross income for rent, including utilities or the applicable fair market rent for the area less any utility costs paid by the tenants, whichever is lower.

3. Continued Affordability

HUD's NSP program requires grantees to ensure, to the extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income.

All homebuyer units assisted must include provisions for meeting the following requirements designed to ensure their long-term affordability restrictions meeting at least the following requirements

HOMEBUYER

Subsidy Amount (the amount of NSP assistance provided to a homebuyer or housing unit)	Minimum Affordability Period	Minimum Restriction
< \$15,000	5 Years	Subsidy recapture, 20 percent forgiveness each year
\$15,000- \$40,000	10 Years	Subsidy recapture, 10 percent forgiveness each year
>\$40,000	15 Years	Subsidy recapture, 6.66 percent forgiveness each year

Continued affordability will be ensured by the recording of mortgages and deed restrictions.

Proceeds from the resale where the subsidy recapture provision is used will be reinvested in eligible NSP activities within the first five program years. After the five year period is over, all NSP proceeds must be returned to the Federal Treasury in accordance with the federal NSP regulations.

4. Housing Rehabilitation Standards

The City of Allentown's Rehabilitation Standards are contained within the City of Allentown's Property Rehabilitation and Maintenance Code, most recently updated and approved by Allentown City Council in May, 2008. These standards can be found on the City's website, www.allentownpa.gov under the codified ordinances section of the government dropdown.

5. Abandoned Property

According to the HERA, a home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, 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.

6. Foreclosed Property

According to the HERA, a property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosures is complete. HUD generally will not consider a foreclosure to be complete until after the title for 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.

D. LOW- INCOME TARGETING

The City of Allentown will make available at least 25 percent (\$528,364) of its total NSP award of \$2,113,456 for housing for individuals and families whose incomes do not exceed 50 percent of the Area Median Income. It is anticipated that these funds will be used for homeownership units. Homes acquired, rehabilitated and resold to households within this income group will be counted as satisfying this requirement.

E. ACQUISITIONS AND RELOCATION

No relocation is planned since all properties acquired will be vacant. The City of Allentown may acquire properties which were originally built as single family dwellings but later converted to multi-unit buildings, and ultimately convert them back to single family affordable homeownership dwellings.

- It is anticipated that 20 units may be lost
- The City of Allentown intends to mitigate this loss by making nine owner occupied houses (units) available to low, moderate and middle income households, whose income does not to exceed 120 percent of AMI.
- In addition, the City of Allentown anticipates making four owner-occupied houses (units) available to low income households whose incomes do not exceed 50 percent of AMI.

F. PUBLIC COMMENT

DRAFT DOCUMENT CONTAINED THE FOLLOWING WORDING:
To be provided after the 15 day comment period.

The City of Allentown will accept written comments on this plan. You may direct your comments to:

Heidi K. Baer
Grants Coordination Manager
City of Allentown
435 Hamilton Street
Allentown, PA 18101
610-437-7761
Fax: 610-439-5947

You may also e-mail your comments to baer@allentowncity.org.

All comments must be received by 4 pm on Friday, November 28, 2008.

The City of Allentown's Neighborhood Stabilization Plan was posted on the City's Website on November 11, 2008. A display advertisement was printed in the local section of The Morning Call newspaper on November 12, 2008 (see attached ad). Public hearings were held to receive comments on the plan on Wednesday, November 19, 2008 at 10:00 A.M. and 4:00 P.M. No one attended the hearings. One person requested a copy of the plan be sent and the City of Allentown received no comments on the plan.

The plan was submitted to HUD on December 1, 2008.

NSP INFORMATION BY ACTIVITY

1. Activity Name: Purchase and rehabilitate to resell and purchase to rehabilitate and resell

2. Activity Type: NSP Eligible Use and CDBG eligible activity

NSP ELIGIBLE USE	CORRELATED CDBG ELIGIBLE ACTIVITY
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes or properties.	24 CFR 570.201 (a) Acquisition (b) Disposition (n) Direct Homeownership Assistance 24 CFR 570.202 Eligible rehabilitation and preservation activities, including homebuyer counseling for those taking part in the activity

3. National Objective: Low, Moderate or Middle Income (LMM) Housing

4. Projected Start Date: February 1, 2009

5. Projected End Date: August 31, 2010

6. Responsible Organization:

The City of Allentown will contract with the Redevelopment Authority of the City of Allentown to be the entity responsible for the acquisition of all properties.

Karen Beck-Pooley
Executive Director
Redevelopment Authority of the City of Allentown
435 Hamilton Street
Allentown, PA 18101
610-437-7733

7. Location Description: Specific addresses and blocks have not been identified, however the Old Allentown Historic District Area of center city Allentown has been targeted as the area of greatest need. This area is primarily located in Census Tract 18. It is anticipated that this subsection of the larger target area will be a priority for NSP funds, although funds will also be used in nearby Census Tracts encompasses Census Tracts 8, 9, 10, and 11.

8. Activity Description: The City of Allentown proposes to use its NSP funding to rehabilitate and reuse as housing properties which have been foreclosed upon or abandoned. The Redevelopment Authority of the City of Allentown will purchase, at a discount, properties from FHA or banks, or negotiate *directly with* the owners of other abandoned properties and make the properties available to

redevelopers (either for-profit), through a competitive Request for Proposal Process, to rehabilitate. The redeveloper will sell the properties to homebuyers. Upon resale of the new home, the City of Allentown will recover the sales proceeds (as program income), with the rehabilitation and related costs (soft costs, developer fees, etc) remaining in the deal as a program cost or grant. Related costs also include costs for housing counseling and down payment and closing cost assistance for households between 80 and 120 percent of AMI.

Funds for this activity will be used to meet the low-income housing requirement for those households below 50 percent of AMI.

- **Tenure of Beneficiaries:** All units produced will be homeownership units. Four units will be sold to low income homebuyers (less than 50 percent AMI). The remaining homebuyers will have income at or below 120 percent of AMI.
- **Duration or Term of Assistance:** The City of Allentown is following the federal HOME requirements for long-term affordability. The maximum period of affordability will be 15 years.
- **Continued Affordability:** Continued Affordability will be ensured through the recording of mortgages and deed restrictions, consistent with the federal HOME program.
- **Discount Rate:** The City of Allentown will adopt a 15 percent discount for each property acquired, determined through an appraisal not less than 60 days old.

Request for Proposal Process:

1. The Redevelopment Authority of the City of Allentown (RACA) issues Requests for Proposals (RFPs) for all properties passing through the Authority's inventory. RFPs clearly state any development requirements (such as the requirement that properties be de-converted from multi-family housing into single family homes and sold to income-qualifying homebuyers) as well as the criteria with which the authority plans to rank responses. All RFPs are posted on the Authority's website and distributed to all entities on the RFP Mailing List. (This list includes both for-profit and not-for-profit developers). RACA staff conduct an initial review of responses and invite up to three responders to present the proposal to the RACA Board of Directors, who make the final determination on who to select for the job. Once a developer is selected, the developer enters into a Site Control agreement with RACA. The Site Control Agreement typically extends from three to six months, during which time the developer finalizes the proposal and secures funding. At the end of the Site Control Agreement period, the developer signs a Redeveloper's Contract and is given full control of the site (although with the stipulation that the deed will revert back to RACA should the work not be completed).

9. Performance Measures:

Activity	Units <50 Percent AMI	Units 51-80 Percent AMI	Units 81-120 Percent AMI
Acquisition	4	2	7
Rehabilitation	4	0	0

The performance measures are based on an average acquisition price of \$100,000 per property. This figure is based on data from Lehigh County on properties being offered at the April, October and December 2008 Sheriff sale by banks. It assumes that properties will be purchased at a 15 percent discount and will include certain carrying costs (related to property management). Rehabilitation costs are estimated at \$40,000 per unit.

10. Total Budget

The budget for this activity is \$ 1,902,110 which is 90 percent of the total allocation (\$2,113,456) to the City of Allentown. The remaining ten percent of funds will be used for administrative costs as allowed by regulations.

- Acquisition, Rehabilitation and Reuse for less than 50 percent AMI: \$560,000
- Balance available for activities benefitting up to 120 percent AMI: \$1,342,110
- Administration and Planning: \$211,346

Program income received from the resale of properties will increase the budget and the number of housing units produced in the allowed five year period.

The amount of additional public and private components for the eventual rehabilitation of the properties is not known at this time.