

CITY OF PORT ST. LUCIE
NEIGHBORHOOD STABILIZATION PROGRAM
AMENDMENT
August 2009

Jurisdiction: City of Port St. Lucie
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Introduction

The Neighborhood Stabilization Program (NSP) was authorized by the US Housing and Economic Recovery Act of 2008 (P.L. 110-289). The NSP funds are to be used to acquire, rehabilitate, demolish, and redevelop foreclosed and abandoned residential properties in order to help stabilize neighborhoods. On September 29, 2008 the Department of Housing and Urban Development (HUD) announced fund allocations for the NSP. The City of Port St. Lucie was allocated \$13,523,132. Fund allocations by HUD were based on the number and percentage in the locality of:

- Home foreclosures
- Homes financed by subprime loans
- Homes in default or delinquency and likely to face foreclosure

The NSP allows funds to be used to:

1. Establish financing mechanisms for purchase of foreclosed homes and residential properties.
2. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed, in order to sell, rent, or redevelop such homes and properties.
3. Establish land banks for homes that have been foreclosed.
4. Demolish blighted structures.
5. Redevelop demolished or vacant properties.

All NSP benefits to households must go to those whose income does not exceed 120 percent of area median income, adjusted for household size – a threshold income considerably higher than the normal CDBG program guidelines of 80% or less of area median income. Funds may also be used for activities that:

- serve areas in which at least 51% of the residents have household income at or below 120% of area median
- serve a clientele whose incomes are at or below 120% of area median income.

The NSP program further includes a set aside provision that requires that at least 25% of the funds (\$3,380,783 for Port St. Lucie) be expended on housing for households earning less than 50% of the area median income. Exhibit 1 provides the maximum income by household size for households at 120% of median, 80% of median and 50% of median.

**Exhibit 1
Port St. Lucie
Household Income Eligibility - 2008**

INCOME RANGE	MEMBERS IN HOUSEHOLD							
	1	2	3	4	5	6	7	8
LOW (50% of median)	\$20,950	\$23,900	\$26,900	\$29,900	\$32,300	\$34,700	\$37,100	\$39,450
MODERATE (80% of median)	\$33,500	\$38,300	\$43,050	\$47,850	\$51,700	\$55,500	\$59,350	\$63,150
MIDDLE (120% of median)	\$50,280	\$57,360	\$64,560	\$71,760	\$77,520	\$83,280	\$89,040	\$94,680

All NSP activities are governed by federal rules and regulations including environmental, historic property compliance, Davis Bacon wage requirements and the Uniform Relocation Act, as applicable.

To receive the funds Port St. Lucie must submit to HUD and HUD must approve a substantial amendment to the City's CDBG Action Plan (hereafter "amendment"). The amendment must detail how the city will use the NSP funds. The amendment is due to HUD by December 1, 2008, with a mandatory 15 day comment period posted on our website and advertised and all citizen comments addressed. Once HUD receives the amendment they have three months to respond with comments/changes, approval or disapproval. The City will have 18 months from the date of HUD's approval to contractually obligate all funding and four years to expend the funds.

Port St. Lucie proposes to use its NSP funds to carryout the following eligible use activities permitted under the NSP.

**Exhibit 2
Eligible Use Activities and Estimated Budget**

Eligible Use	Activity	Estimated Budget	
A. Establish financing mechanisms for purchase of foreclosed upon homes and residential properties.	24 CFR 570.206 Set up and provide the financing mechanism program of soft-second loans for direct client financial and subsidy assistance for purchase of the resale of foreclosed homes from the City..	\$2,512,819	Deleted: \$ Deleted: 1,409,000
B. Purchase and rehabilitate homes and residential properties that have	24 CFR 570.201 (a)Acquisition	\$7,000,000	Deleted: 595,319

been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.	(b)Disposition	\$256,000	
	(n) Direct homeownership assistance as modified below: 570.202 eligible rehabilitation and preservation activities for homes and other residential properties	\$2,250,000	Deleted: 3,000,000
		Subtotal: \$9,506,000	Deleted: \$10,651,319
D. Demolish Blighted Structures	24 CFR 570.201(d) Clearance for blighted structures only.	\$152,000	Deleted: 110,500
Program Administration		\$1,352,313	
Total		\$13,523,132	

This amendment to the Port St. Lucie CDBG Action Plan describes the eligible uses and activities and includes the following information as required by HUD:

- Areas of Greatest Need
- Distribution of and Uses of Funds
- Definitions and Descriptions
- Low Income Targeting
- Acquisition and Relocation Information
- Public Comments
- Activity Information

A. Areas of Greatest Need

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction. HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data, in developing this section of the Substantial Amendment.

Response:

HUD provided detailed default and foreclosure data for the NSP1 application and updated that information for NSP2. This information shows the vast scope of the foreclosure crisis as it exists in Port St. Lucie.

Included in the data provided by HUD are the following statistics:

- Rate of housing price decline from peak value to December 2008 value was 33.3% (at the time of NSP1 HUD data, the devaluation was listed at 26%).
- Average percent of high cost and low leverage loans made in targeted census tracts from 2004 to 2007 is 15.1%.
- Estimated number of mortgages starting foreclosure process or seriously delinquent in the past 2 years is 13,302.

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- Estimated foreclosure and abandonment risk score as calculated by HUD is 20 in every census tract targeted, and in every census tract in the City.

Additional local data gathered from RealtyTrac and local realtors confirms the pervasiveness of the foreclosure problem, as on a single day in May 2009 there were 2,290 homes in the foreclosure process. While these are remarkably large figures in their own right, they are even more striking in a city the size of Port St. Lucie. The City is unique in that it was originally platted with 80,000 individual quarter-acre residential lots. As a result, the foreclosure crisis for this City is not confined to a particular area but is widespread throughout our original core City boundaries.

The City has been focusing on a fairly large piece of this original core area and attempting to purchase the foreclosed properties on the same block. We are finding, however, that not all abandoned and neglected homes in a given neighborhood or census tract are eligible for purchase. It appears a number of homes have not completed the foreclosure process, while many homes still exceed the purchase prices/values that low income households can afford, and others have fallen through our grasp because of the lower price we were required to offer.

In order to expend the funding in a timely manner and to best serve the City as a whole, we need to expand our targeted areas to those additional census tracts with the highest foreclosure and vacancy rates, highest percent of high-cost and low-leverage loans, and those census tracts that qualify as low/moderate/middle income. Port St. Lucie has analyzed the new HUD data and local data and utilizing that information has expanded the targeted area by an additional four Census Tracts (16.03, 18.01, 20.03, and 21.04) as listed:

<u>Targeted Census Tracts</u>	
<u>15.03</u>	<u>20.01</u>
<u>16.03</u>	<u>20.02</u>
<u>18.01</u>	<u>20.05</u>
<u>18.02</u>	<u>21.04</u>
<u>20.03</u>	<u>21.05</u>

By designating the targeted area in this manner, the distribution and uses of the NSP funds will meet the requirements of Section 2301 (c)(2) of HERA that funds be distributed to the area of greatest need. The targeted census tracts listed above are shown on the attached map.

[See Targeted Areas Map attached]

B. Distribution and Uses of Funds:

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Deleted: The state of Florida has felt the effects of the foreclosure crisis to a greater extent than almost any other state in the nation. According to a study published earlier this year by the Pew Charitable Trusts, one in twenty six homeowners in Florida faces the prospect of foreclosure; only Nevada and California face higher foreclosure rates.¹

Indeed, every major city in Florida is forced to tackle the foreclosure crisis, yet few cities face the concentration of vacant and foreclosed properties such as it exists in Port St. Lucie. ¶

¶ Throughout the past decade, Port St. Lucie has seen tremendous growth in its population. As of the 2000 Census, the city's population was 88,769. By 2007, an estimated 151,391 people called Port St. Lucie home; a 70.6% increase in less than 10 years.² The tremendous population growth drove speculative homebuilders to create an oversupply of homes that were sold, with the help of increased access to non-conventional (i.e. subprime) home loans to families that ultimately were not prepared for

... [1]

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c) (2) of HERA that funds 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 by the grantee as likely to face a significant rise in the rate of home foreclosures.

Response:

As noted above, HERA requires that NSP funds be targeted to areas 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 of Port St. Lucie has identified the following census tracts, which will be targeted in each of its activities.

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The City will purchase, repair/rehabilitate and finance multiple properties on the same street or in the same neighborhood, whenever possible, in an attempt to create a stabilizing effect. The core of the city where the population is most dense and where the data indicate the greatest need will be targeted for assistance. Those census tracts, are:

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<u>Targeted Census Tracts</u>	
<u>15.03</u>	<u>20.01</u>
<u>16.03</u>	<u>20.02</u>
<u>18.01</u>	<u>20.05</u>
<u>18.02</u>	<u>21.04</u>
<u>20.03</u>	<u>21.05</u>

C. Definitions and Descriptions:

The Neighborhood Strategy Program requires the following definitions and descriptions.

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18.02, Blocks 1 - 3¶
20.01, Blocks 1 - 6¶
20.02, Blocks 1 - 5¶
20.05, Blocks 1 - 2¶
21.05, Blocks 4 - 5¶

Response:

1. Blighted Structure. For the purpose of the NSP the City will consider a blighted structure to be a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to the human health, safety, or welfare of the public. Port St. Lucie will generally consider a structure as blighted if one of the following criteria is met:

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- The structure is open, cannot be secured against entry, and is unsafe or unfit for human occupancy; The unsafe structure is secured against public entry, but it presents a threat to a neighboring property or public right of way (such as a sidewalk) because of a potential collapse or other threat;
- The structure is determined to harbor nuisances and threats to human health, safety or welfare which may negatively impact a neighboring property; or
- The structure presents a visual blight due to collapse or other un-repaired damage, or

- it is determined that repairs will cost more than economically feasible, which, in general would be more than 50%-75% of the appraised value, although mitigating factors may be considered; or
- The structure is lying in a state of incomplete construction, resulting in a negative view of the surrounding properties; or other similar conditions.

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Where demolition is being considered only because repairs are estimated to exceed 50%-75% of the appraised value, we may consider mitigating factors such as the following:

- structural condition - CBS would be a plus, wood frame may be a minus
- cost after deduction of repairs that are not mandatory (such as shutters when no windows are replaced and/or hookup to sewer when it may not be required).
- If bids are under 50%-75% of appraised value with the deduction of all non-mandatory repairs, then we will proceed with repairs
- 10% cost variance. We will deduct 10% from the estimated repair cost to allow for variance of repair costs due to competitive bidding. For example, if a property is appraised at \$60,000 and the estimate for repairs is \$32,000, then 10% or \$3,200 will be deducted. If the estimate with the 10% variance included is below 50%-75% of appraised value, the property will continue on to receive bids; if not, it will proceed to demolition. If the bids for repairs are less than 50% of appraised value (with the deduction of the cost of nonmandatory repairs) then we will proceed with repairs. If they are between 50%-75% of appraised value we may move forward only if the housing inspector and building department agree. For the purposes of the NSP program we may repair/rehab homes where repairs are in excess of 50% -75% of the appraised value only if the homes are required for low income and/or we have met or exceeded our quota of demolitions for the program.

2. Affordable Rents: Port St. Lucie currently does not plan to use its NSP funds for rental housing. However, should the City amend this plan to include rental we would concentrate our efforts for those low and moderate income clients at 80% of median or below. As such, Port St. Lucie considers rents to be affordable when household rent payments do not exceed HUD-defined Fair Market Rent Limits and Rent Payments added to a household utility allowance do not exceed 30% of a family's adjusted income. Exhibit 3 provides HUD-defined rent limits for Port St. Lucie for 2009.

Exhibit 3: Maximum Rent Limits

Efficiency	1 BR	2 BR	3 BR	4 BR
\$721	\$723	\$916	\$1,211	\$1,248

3. Long Term Affordability of Assisted Homes: The NSP requires that, to the maximum extent practicable and for the longest term feasible, homes remain affordable. The City proposes to provide a financing subsidy on a sliding scale in accordance with income to assist eligible clients purchase foreclosed properties. The City of Port St. Lucie will promote continued affordability for NSP- assisted properties by requiring, in the terms of the mortgage, that the home be held by the income eligible household for 25 years or a prorated amount of the funding is due back to the program for reuse in NSP eligible activities. These requirements will be detailed in the deferred mortgage loan. Also, by recapturing the funds, in whole or in

Deleted: 1. Blighted Structure: ". For the purpose of the NSP the City will consider a blighted structure to be a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to the human health, safety, or welfare of the public. Port St. Lucie will generally consider a structure as blighted if one of the following criteria is met: ¶
 <#>The structure is open, cannot be secured against entry, and is unsafe or unfit for human occupancy; ¶
 <#>The unsafe structure is secured against public entry, but it presents a threat to a neighboring property or public right of way (such as a sidewalk) because of a potential collapse or other threat; ¶
 <#>The structure is determined to harbor nuisances and threats to human health, safety or welfare which may negatively impact a neighboring property; or ¶
 <#>The structure threatens the general welfare of the public by: presenting a visual blight due to collapse or other unrepaired damage, or it is determined that repairs will cost more than economically feasible to repair which would be more than 50% of the appraised value; or it is lying in a state of incomplete construction, resulting in a negative view of the surrounding properties; or other similar conditions. ¶

part, if the home is sold prior to the end of the affordability period will prevent the household from selling the home and realizing an early profit. This will be done through the use of deferred, soft-second loans that are recaptured, in whole or in part, if the home is sold prior to the end of the affordability period. NSP funds will be loaned as follows (Exhibit 4)

**Exhibit 4
Affordability Period and Loan Repayment**

Client income	Subsidy	Affordability Period	Repayment Schedule for Loan
(50% of median income and below) Low income and below	Up to \$40,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.
(80% of median income) Moderate Income	Up to \$30,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.
(120% of median income) Middle Income	Up to \$20,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.

Each year that the assisted property is owned and occupied by the loan recipient, a proportional amount of NSP funding, as shown above, will be forgiven. Should a recipient sell the property prior to the end of the loan period, the outstanding principal balance of NSP dollars will be recaptured by the City of Port St. Lucie and reused in the NSP program.

4. Housing Rehabilitation Standards. Homes rehabilitated with NSP funds will meet the *State of Florida and local building codes*. The rehab standards will comply with all applicable laws and codes for housing safety, quality and habitability. Energy or conservation improvements and modern green building improvements may be included for low income clients. The Community Services Department will adopt the St. Lucie County HOME rehab standards to ensure that appropriate written rehabilitation standards are adopted.

D. Low Income Targeting:

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income. **Note:** At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The NSP requires that 25% of the allocation to each locality be used for housing to assist low income households – households with incomes at or below 50% of median income adjusted for household size. Port St. Lucie is therefore setting aside \$3,380,783 of its grant to:

- \$3,015,079 for purchase, rehab and resale of foreclosed properties for households whose incomes do not exceed 50 percent of area median income.
- \$365,704 to provide a larger financial subsidy for low income households whose incomes do not exceed 50 percent of the area median income to assist them in the purchase of the city-acquired foreclosed homes.
- Total: \$3,380,783

The City may hold additional funding cycles for low income only or reserve certain homes for low income only in order to ensure a sufficient number of households receive assistance in this income category.

E. Acquisition and Relocation:

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income). If so, include:

- The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., ≤ 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).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

The City will focus its activities on purchase, rehabilitation and resale of foreclosed homes and limited demolition of blighted properties. . The City does not intend to demolish blighted low or moderate income dwelling units or to convert those dwelling units to other uses. Selective demolition of other foreclosed blighted structures or properties that are not low or moderate income dwellings may be carried out to achieve program objectives.

The City estimates that between the start of the program and the year 2012 that the following number of housing units will be made available to homebuyers with the initial appropriation of funds

Activity	< 50% of median	50-80% of median	80%-120% of median
Sales to Homebuyers	25	38	37

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NSP funds will be used primarily to acquire vacant foreclosed properties, rehabilitate or demolish those properties and resell to eligible clients as shown above.

F. Public Comment-AMENDMENT

*Provide a summary of public comments received to the proposed NSP Substantial Amendment. **Note:** Proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.*

Response:

The City published an announcement of the amendment on July 9 and placed the information on our website on _____ . A public meeting was advertised and held on July 27. Comments and written responses are attached.

The City of Port St. Lucie published an announcement of the draft NSP Substantial Amendment in the Port St. Lucie News on November 5, 2008 and again on November 14. The proposed draft amendment was posted on the City's website on November 6, 2008. A public meeting was advertised and held on November 17, 2008. Several comments were received at that meeting; however, the majority of the comments focused on details of the implementation of the funding once received. A Summary of the comments and a copy of the minutes of the meeting are attached. One citizen spoke at the meeting and then forwarded his written comments. The comments along with our written response are included in Appendix 1.

G. NSP Information by Activity (Complete for each activity)

ACTIVITY 1

1. Activity Name: Establish financing mechanisms for purchase of foreclosed upon homes and residential properties

2. Activity Type: *(Include NSP eligible use & CDBG eligible activity)*

NSP Eligible Use: (A) Establish and provide financing mechanisms for purchase of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves and shared equity.

CDBG Eligible Activity: 24 CFR 570.206 setting up and providing the financial mechanism of soft-second loans as part of an activity delivery cost for an eligible activity.

3. National Objective: *(Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).*

Low, moderate and middle income housing benefit

4. Activity Description: *(Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.)*

The financing mechanism is a loan which will provide financial assistance for an income eligible household – those earning at or below 120% of median income adjusted for family size - to acquire a foreclosed home from the City. The City will provide financing) that along with client funds will be sufficient to bridge the affordability gap between the private mortgage available to the homeowner, and the sales price of the home, up to a maximum of \$40,000 depending on income level. The assistance will take the form of a “soft second” deferred payment loan with no interest. The loan will provide for forgiveness of a portion of the deferred loan or subsidy each year. If the property is sold before the end of the affordability period the outstanding principal or subsidy balance of the loan will be due on sale. The households earning 50% or below of median will be provided with the highest subsidy amount. At least 25% of the funding for this activity is anticipated to be used for households earning 50% or below of median income.

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This activity will ensure long term affordability as described in C. 3 “Long term affordability for assisted homes” and detailed in the Specific Activity Requirements listed below. The financing mechanisms will enable purchase of these foreclosed properties by low, moderate and middle income households in the City. In setting up the activity emphasis was placed on providing a higher subsidy for those households at or below 50% of the median income; if necessary, repair assistance may not be recaptured for those homes at 50% of the median and below. The activity will include preparation of documents and legal reviews.

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Once the financial mechanisms have been set up, we will utilize them to help eligible low, moderate and middle income clients buy those foreclosed homes purchased by the City. . Providing the additional financing mechanism will enable low and moderate income households the opportunity to take advantage of the lowered cost of homes associated with this program. Many clients who may be able to maintain the monthly mortgage cost, especially at these reduced prices, still may not have the down payment and closing costs necessary to close a loan. Also, by utilizing our existing lending consortium the clients will receive better terms and be charged fewer upfront costs. . The loans will be provided for the purchase of the foreclosed properties purchased and rehabbed by the City in the targeted areas as described in location description listed below.

The City will also establish standards for and review the terms of homebuyer first mortgages to ensure that such mortgages will not jeopardize the affordability of the assisted homeowner and the loan will be secured from a lender who agrees to comply with the bank regulators’ guidance for non-traditional mortgages. For that reason, we will utilize our St. Lucie County Lending Consortium for these loans. Homebuyers will receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining mortgage assistance from NSP funds, per the NSP requirements.

All funds recaptured at resale of assisted properties will be treated as program income and to the extent permitted by NSP, reinvested in NSP activities including additional homebuyer financing for future eligible buyers of the same or similar income.

5. Location Description: *(Description may include specific addresses, blocks or neighborhoods to the extent known.)*

The City will purchase, repair/rehabilitate and finance multiple properties on the same street or in the same neighborhood, whenever possible, in an attempt to create a stabilizing effect. The core of the city where the population is most dense and where the data indicate the greatest need will be targeted for assistance. Those census tracts are:

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Targeted Census Tracts	
<u>15.03</u>	<u>20.01</u>
<u>16.03</u>	<u>20.02</u>

<u>18.01</u>	<u>20.05</u>
<u>18.02</u>	<u>21.04</u>
<u>20.03</u>	<u>21.05</u>

6. Performance Measures: (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

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20.01, Blocks 1 - 6
20.02, Blocks 1 - 5
20.05, Blocks 1 - 2
21.05, Blocks 4 - 5

Units to be Financed

With the initial grant, Port St. Lucie plans to provide financing that will assist the following number of home buyers:

Measure	Goal	Funding
Homes for HH <50% of median	272	Up to \$40,000
Homes for HH 50% - 80% of median	38	Up to \$30,000
Homes for HH 81% - 120% of median	37	Up to \$20,000

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As program income is received from resale of the homes, additional homes will be financed.

7. Total Activity Budget: (Include public and private components)

\$ 2,512,819 in NSP funding

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8. Responsible Organization(s): (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Port St. Lucie
121 SW Port St. Lucie Blvd.
Port St. Lucie, FL 34983
Attn: Tricia Swift-Pollard, Director
Community Services Department
772-871-5284
Fax: 772-344-4340
Email: TriciaP@cityofpsl.com

Deleted: Pat Selmer, Acting Director

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9. Start Date: February 1, 2009*

*Start date is contingent upon the date of HUD approval of the Substantial Amendment.

10. End Date: February 1, 2012*

*The City will obligate all the funds within 18 months. Activities will continue as long as funds are available (additional funds may be allocated to this activity depending upon the success of the resale portion of the NSP program) with continued acquisition/rehabilitation and resale through program income through 2012.

11. Specific Activity Requirements:

For acquisition activities, include: discount rate

N/A

For financing activities, include: range of interest rates

0% interest

For housing related activities, include:

- *duration or term of assistance;*
25 years with 4% of the loan forgiven each year the home is maintained as a primary residence.
Any default including sale of the home will require repayment of the outstanding loan balance.
- *tenure of beneficiaries—rental or homeownership;*
Homeownership
- *a description of how the design of the activity will ensure continued affordability*

To ensure there is no flipping of properties or premature sale for gain, all properties will be secured with a deferred payment, no interest mortgage requiring repayment of the subsidy if the home is sold or is not maintained as a primary residence for the established affordability period. It is our intention to secure the amount of the financial aid and the additional equity in the home (difference between amount paid by purchaser and appraised value with an "equity mortgage" patterned after those currently in use by Habitat for Humanity.

The following conditions will also apply to properties financed under this activity:

- Eligible homebuyers must:
 - Meet income eligibility requirements
 - Comply with requirements for downpayment assistance terms and conditions for repayment
 - Receive 8 hours of homeowner counseling (See Activity 2 below)
 - Agree to occupy the property as their primary residence
 - Finance their acquisition with conventional or FHA fixed rate mortgages - no subprime financing mechanisms will be allowed
- Terms of the financial assistance:
 - Maximum subsidy: \$40,000
 - Type of loan: Deferred payment; forgivable

The City will ensure long-term affordability by requiring, in the terms of the mortgage, that the home be held by the income eligible household as their primary residence or they will be in default and the loan will be required to be repaid. These requirements will be detailed in the deferred mortgage loan recorded against the property. Also, the funds will be recaptured, in whole or in part, if the home is sold prior to the end of the affordability period and reused for NSP eligible activities.

The following Affordability Periods and Loan Repayments will apply: Affordability Period and Loan Repayment

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Client income	Subsidy	Affordability Period	Repayment Schedule for Loan
(50% of median income and below) Low income and below	Up to \$40,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.
(80% of median income) Moderate Income	Up to \$30,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.
(120% of median income) Middle Income	Up to \$20,000 (only the amount of subsidy needed to make the purchase affordable will be utilized)	25 years	The deferred payment loan mortgage term will be 25 years at 0% interest with loan forgiven at the rate of 4% per year for 25 years. Prorated repayment is due if sold prior to the end of the affordability period.

ACTIVITY 2

1. Activity Name: Purchase and rehabilitate homes that have been foreclosed upon in order to sell such homes

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP Eligible Use: (B) 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: 24 CRF 570.201 (a) Acquisition, (b) Disposition, (n) Direct homeownership assistance (as modified); 572-202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity)

3. National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Low, moderate, middle income housing benefit

4. Activity Description: : (Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.)

ACQUISITION: Estimated Budget \$ 7,000,000

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Foreclosed properties will be identified by the building department and code enforcement staff and selected for purchase from the targeted area described in "Location Description" below. The financial institution(s) who own the properties will be contacted and /or realtor(s) in charge of the sales. The City's legal department will negotiate the purchase at a cost not to exceed 99% of the appraised value of the property (minimum 1% discount from the appraised value; appraisal must have been completed within 60 days of purchase.) Performance Measures below sets out the expected number of homes to be purchased and amount of said purchases that will eventually be sold to households at less than 50% of median. At least 25% of the funding for this activity will benefit low income households at or below 50% of median income.

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DISPOSITION: Estimated Budget \$ 256,000

The City plans to advertise the properties and the financial assistance available by income level. We will advertise at least two weeks in advance of the funding cycle and take applications for a period of at least 30 days. All households will be required to fill out applications and their financial status will be verified through third party verifications. Households will be prequalified for a first mortgage loan (using an estimate of the amount of the City's deferred loan in the prequalification process). The households will be able to select properties on a first come, first served basis for the properties they are prequalified to purchase. Properties receiving rehab will be reappraised before sale to determine the actual sales price, which will be lower than the total cost of acquisition and rehabilitation. Sale of the homes will be handled by our Legal Department in conjunction with a local title company. After purchase the costs for maintenance/utilities will be captured here.

Port St. Lucie anticipates that disposition of properties will proceed as follows:

- Properties that do not require rehabilitation will be immediately resold to eligible households – those with incomes less than 120% of median income utilizing the financing mechanism described above.
- Homes that are deteriorated and can be cost-effectively rehabilitated will be renovated prior to disposition and then sold utilizing the financing mechanism described above,
- Homes that are blighted and cannot be cost-effectively repaired will be demolished (see Activity 3: Demolition). The unimproved vacant properties will be granted to a nonprofit for redevelopment and use in a housing program benefiting low and moderate income households. Priority will be given to nonprofits that benefit low income households.

Performance Measures below sets out the expected number of homes to be purchased and amount of said purchases that will eventually be sold to households at less than 50% of median.

REHABILITATION: Estimated Budget \$ 2,250,000

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The rehabilitation is intended to stimulate repair and maintenance of homes in the neighborhood and arrest disinvestment. The City, with the assistance of Building Department and Office of Management and Budget in coordination with the Community Services Department's existing housing personnel and inspection contractors, will prepare work write ups, cost estimates and bid packages and oversee the rehabilitation. The City will solicit proposals from general contractors and/or trades people such as painters and roofers, to

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repair the homes. In order to make the home affordable, the city may not recapture all repair assistance for low income clients (50% of median and under.)

Housing Rehabilitation Standards. Homes rehabilitated with NSP funds will meet the *State of Florida and local building codes*. The rehab standards will comply with all applicable laws and codes for housing safety, quality and habitability. Energy or conservation improvements and modern green building improvements may be included for low income clients. The Community Services Department will adopt the St. Lucie County HOME rehab standards to ensure that appropriate written rehabilitation standards are adopted.

5. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The City will purchase, repair/rehabilitate and finance multiple properties on the same street or in the same neighborhood, whenever possible, in an attempt to create a stabilizing effect. The core of the city where the population is most dense and where the data indicate the greatest need will be targeted for assistance.

Those census tracts are:

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<u>Targeted Census Tracts</u>	
<u>15.03</u>	<u>20.01</u>
<u>16.03</u>	<u>20.02</u>
<u>18.01</u>	<u>20.05</u>
<u>18.02</u>	<u>21.04</u>
<u>20.03</u>	<u>21.05</u>

6. Performance Measures: (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

With the initial grant, Port St. Lucie plans to acquire and dispose of 100 units. As program income is received from resale of the homes, additional homes will be purchased.

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 20.01, Blocks 1 - 6¶
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ACQUISITION AND DISPOSITION

Activity	< 50% of median	50-80% of median	80%-120% of median
Sales to Homebuyers	<u>25</u>	<u>38</u>	<u>37</u>
Estimated funding for acquisition, disposition and funding mechanisms by income level	<u>\$2,442,205</u>	<u>\$3,712,151</u>	<u>\$3,614,463</u>

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Port St. Lucie plans to rehabilitate 84 homes at an average cost of \$26,800 per home with the initial allocation of funds. As program income is received from resale of the homes, additional homes will be purchased, repaired and resold. The city anticipates the rehabilitation of the initial number of units to income eligible households as follows:

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REHABILITATION

Measure	Goal	Estimated funding for rehabilitation by income level
Homes for HH <50% of median	21	\$900,000
Homes for HH 50% - 80% of median	32	900,000
Homes for HH 81% - 120% of median	31	\$ 450,000

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- Deleted: \$1,000,000
- Deleted: 35
- Deleted: 700,000
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- Deleted: \$ 1,000,000 SHIP Housing Program Assistance (Estimated)

7. Total Activity Budget: (Include public and private components)

~~\$ 9,506,000~~ NSP Funding
~~\$ 8,960,000~~ Lender Financing

8. Responsible Organization(s): (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Port St. Lucie
 121 SW Port St. Lucie Blvd.
 Port St. Lucie, FL 34983
 Attn: [Tricia Swift-Pollard, Director](#)
 Community Services
 772-871-5284
 Fax: 772-344-4340
 Email: TriciaP@cityofpsl.com

- Deleted: Patricia Selmer, Acting Director
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- Deleted: PatS

Additional partners may be utilized for a variety of functions such as appraisal, title, closing, maintenance, and other real estate services. The City may elect to implement this program through a third party contract or subrecipient.

9. Start Date: February 1, 2009

*Start date is contingent upon the date of HUD approval of the Substantial Amendment.

10. End Date: February 1, 2012*

*The City will obligate all the funds within 18 months. Activities will continue as long as funds are available (additional funds may be allocated to this activity depending upon the success of the resale portion of the NSP program) with continued acquisition/rehabilitation and resale with program income through 2012.

11. Specific Activity Requirements:

For acquisition activities, include: discount rate

For home purchases, at least 15% discount from appraisal performed within 60 days of purchase

For financing activities, include: range of interest rates

0% interest

For housing related activities, include:

- duration or term of assistance;
25 years with 4% of the loan forgiven each year the home is maintained as a primary residence.
Any default including sale of the home will require repayment of the outstanding loan balance.
- tenure of beneficiaries—rental or homeownership;
Homeownership
- a description of how the design of the activity will ensure continued affordability

See Financing Mechanisms above

ACTIVITY 3

1. Activity Name: Demolish blighted structures

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP Eligible Use: (D) Demolish blighted structures

CDBG Eligible Activity: 24 CFR 570.201(d) Clearance for blighted structures only;

3. National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Low, moderate, middle, income housing benefit

4. Activity Description: (Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.)

This activity allows for the demolition of “blighted” structures. The cleared property will be maintained by the City until such time as it can be disposed of to a nonprofit for redevelopment. The City of Port St. Lucie will seek a public or nonprofit partner to redevelop the property and to build a residential home for homeownership or as rental or lease-to-own for households with income at 80% of median income or below.

5. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The core of the city where the population is most dense and where the data indicate the greatest need will be targeted for this activity. Those census tracts are:

Targeted Census Tracts	
<u>15.03</u>	<u>20.01</u>
<u>16.03</u>	<u>20.02</u>
<u>18.01</u>	<u>20.05</u>
<u>18.02</u>	<u>21.04</u>
<u>20.03</u>	<u>21.05</u>

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 18.02, Blocks 1 - 3¶
 20.01, Blocks 1 - 6¶
 20.02, Blocks 1 - 5¶
 20.05, Blocks 1 - 2¶
 21.05, Blocks 4 - 5
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**6. Performance Measures:** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

**Estimated Units to be Demolished:**

| Average Cost to Demolish | Number of Homes | Moderate Income | Low Income |
|--------------------------|-----------------|-----------------|------------|
| \$9,500                  | 16              | 5               | 11         |

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We do not anticipate recapturing the cost of the demolition of these homes. We will deed the properties to a nonprofit such as Habitat for Humanity and record a mortgage on the property for the appraised value of the land any program income received will be utilized for eligible NSP activities.

**7. Total Activity Budget:** (Include public and private components)

Maximum \$152,000. Funds for this activity will be used to demolish blighted properties.

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**8. Responsible Organization(s):** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Port St. Lucie  
 121 SW Port St. Lucie Blvd.  
 Port St. Lucie, FL 34983  
 Attn: [Tricia Swift-Pollard, Director](#)  
 Community Services Department  
 772-871-5284  
 Fax: 772-344-4340  
 Email: [TriciaP@cityofpsl.com](mailto:TriciaP@cityofpsl.com)

Deleted: Pat Selmer, Acting Director

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Deleted: PatS

**9. Start Date:** February 1, 2009\*

\*Start date is contingent upon the date of HUD approval of the Substantial Amendment.

**10. End Date:** February 1, 2012\*

\*The City will obligate all the funds within 18 months. If undertaken, activities will continue as long as funds are available.

**11. Specific Activity Requirements:**

For acquisition activities, include discount rate  
 Not applicable

For financing activities, include range of interest rates  
 Not Applicable

For housing related activities, include:

- duration or term of assistance;  
 Not applicable
- tenure of beneficiaries—rental or homeownership;  
 Not applicable
- a description of how the design of the activity will ensure continued affordability

*Not applicable*

No specific activity requirements for demolition activities

Properties to be cleared must meet the NSP definition of “blighted” structure.

#### **ACTIVITY 4**

**1. Activity Name:** NSP Administration

**2. Activity Type:** *(include NSP eligible use & CDBG eligible activity)*

NSP Eligible Use – An amount of up to 10% of the NSP grant provided to jurisdictions and of up to 10% of program income earned may be used for general administration and planning activities as those described in 24 CFR570.205 and 206.

CDBG Eligibility: 24 CFR570.206

Pre-award Costs: A grantee may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h)

**3. National Objective:** *(Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).*

Administration is exempt from meeting a national objective.

**4. Activity Description:** *(Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.)*

This activity will provide the general administration and planning activities required to receive NSP funding and implement a successful NSP program, including preparation of the substantial amendment, required noticing, monitoring, financial reporting, and other required administrative tasks. It will also cover the following activities:

- Oversight and management to ensure compliance with federal regulations
- Legal Department oversight and management of real estate transactions

This activity will not be used to meet the low income housing requirement for those below 50% of area median income.

**5. Location Description:** *(Description may include specific addresses, blocks or neighborhoods to the extent known.)*

Not applicable

**6. Performance Measures** *(e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):*

The City of Port St. Lucie will complete necessary planning activities to receive NSP funds; 100% of NSP funds will be accurately administered.

**7. Total Budget:** (Include public and private components)

\$1,352,313 from initial NSP allocation plus 10 percent of program income. See Table 1 for overall NSP budget breakdown.

**8. Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Port St. Lucie  
121 SW Port St. Lucie Blvd.  
Port St. Lucie, FL 34983

Attn: [Tricia Swift-Pollard, Director](#)

Community Services

772-871-5284

Fax: 772-344-4340

Email: [TriciaP@cityofpsl.com](mailto:TriciaP@cityofpsl.com)

**Deleted:** Pat Selmer, Acting Director

**Deleted:** 3

**Deleted:** PatS

Additional partners will be utilized for a variety of functions (preparation of substantial amendment, ongoing monitoring, etc.)

**9. Projected Start Date:** September 29, 2008 (Federal Register, Vol. 73, No. 194, II. C. allows reimbursement for pre-award costs)

**10. Projected End Date:** The City will obligate all funds within 18 months. Activities will continue through 2012; however, monitoring of projects will continue indefinitely

**11. Specific Activity Requirements:**

*For acquisition activities, include discount rate*

*For financing activities, include range of interest rates*

*For housing related activities, include:*

- *duration or term of assistance;*
- *tenure of beneficiaries—rental or homeownership;*
- *a description of how the design of the activity will ensure continued affordability*

No specific activity requirements for administration activities.

**Appendix 1**

**SUMMARY OF CITIZEN COMMENTS  
CITY COUNCIL MEETING**

COMMENTS

The state of Florida has felt the effects of the foreclosure crisis to a greater extent than almost any other state in the nation. According to a study published earlier this year by the Pew Charitable Trusts, one in twenty six homeowners in Florida faces the prospect of foreclosure; only Nevada and California face higher foreclosure rates.<sup>1</sup> Indeed, every major city in Florida is forced to tackle the foreclosure crisis, yet few cities face the concentration of vacant and foreclosed properties such as it exists in Port St. Lucie.

Throughout the past decade, Port St. Lucie has seen tremendous growth in its population. As of the 2000 Census, the city's population was 88,769. By 2007, an estimated 151,391 people called Port St. Lucie home; a 70.6% increase in less than 10 years.<sup>2</sup> The tremendous population growth drove speculative homebuilders to create an oversupply of homes that were sold, with the help of increased access to non-conventional (i.e. subprime) home loans to families that ultimately were not prepared for homeownership. As a result, there is today a city-wide glut of vacant and foreclosed homes.

HUD provided data details the vast scope of the foreclosure crises as it exists in Port St. Lucie.<sup>3</sup> Figure 1 illustrates the predicted 18-month foreclosure rate for each census tract in Port St. Lucie.

[See Figure 1 attached]

Other key data provided by HUD is as follows:

Rate of housing price decline from peak, as of June 2008, was 25.6%.

Percent of all loans made from 2004 to 2006 that are high cost is 36.3%.

Percent of all addresses 90 days vacant as of June 2008 ranges from 5.61%, in a Census tract on the city's periphery, to 10.95%, in a Census tract in the city's urban core.

The estimated foreclosure and abandonment risk score as calculated by HUD is either 9 or 10 in every one of the city's Census Tracts and block groups.

Additional local data was gathered from RealtyTrac and confirms the pervasiveness of foreclosure, as on a single day in November there were 622 REOs for sale and 1680 homes in pre-foreclosure.<sup>4</sup> While these are remarkably large figures in their own right, they are even more striking in light of the fact that Port St. Lucie is a medium-sized city. This means, of course, that the fallout resulting from the foreclosure crisis is not confined to a few neighborhoods. Rather, as illustrated in Figure 2, the fallout is spread throughout the city.

[See Figure 2 attached]

In an attempt to identify areas of greatest need, Port St. Lucie has analyzed HUD data and local data. Such data includes the estimated foreclosure starts over the last 18 months, the incidence of high cost loans, and the HUD foreclosure and abandonment risk score.

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<sup>1</sup> The Pew Charitable Trusts, "Defaulting on the Dream: States Respond to America's Foreclosure Crisis", April 2008, available online at [http://www.pewcenteronthestates.org/report\\_detail.aspx?id=37972](http://www.pewcenteronthestates.org/report_detail.aspx?id=37972).

<sup>2</sup> U.S. Census Bureau, "Population Finder", available online at [http://factfinder.census.gov/servlet/SAFFPopulation?\\_submenuId=population\\_0&\\_sse=on](http://factfinder.census.gov/servlet/SAFFPopulation?_submenuId=population_0&_sse=on),

<sup>3</sup> U.S. Department of Housing and Urban Development, "Neighborhood Stabilization Program Data", available online at <http://www.huduser.org/publications/commdev/nsp.html>.

<sup>4</sup> Data accessed on November 5, 2008 from <http://www.realtytrac.com> following a search of properties in Port St. Lucie, FL. As a result of limitations with the search functionality, some properties accounted for are likely outside of the city limits despite the fact that they have Port St. Lucie addresses. It is still useful to note these properties, however, as the boundaries that define real estate markets, and thus the impacts of foreclosures, obviously do not necessarily follow jurisdictional boundaries.

As illustrated by Figure 3, which provides the HUD data by Census block group, the foreclosure and abandonment risk score is 9 or 10 in each block group.

[See Figure 3 attached]

The greatest variance is with regard to the incidence of high cost loans which ranges from 20.31% to 42.34%. However, across all block groups the median incidence of high cost loans is 40.21%, which indicates again that most block groups within the City are on the high end of the high cost loan range.

The yellow highlight area on Figure 4 indicates all census tracts with a risk score over 12% and a high cost loan rate over 40. These census tracts appear to represent the core areas within the City 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. . Naturally, neighborhoods within the city's core tend to be denser than outlying neighborhoods, meaning that the effects of the foreclosure crisis touch proportionally more households. This also suggests that any stabilizing actions taken by the City should produce a greater return. **These are the areas, therefore, that the City will choose to target with NSP funds.** By designating the targeted area in this matter, the distribution and uses of the NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need.

[See Figure 4 attached]