

**Grantee: Habitat for Humanity International Inc**

**Grant: B-09-NN-GA-0002**

**April 1, 2010 thru June 30, 2010 Performance Report**

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Habitat for Humanity International Inc

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NSP

**Narratives****Executive Summary:**

## Executive Summary

>Habitat for Humanity International Inc. (HFHI) is pleased to submit this Action Plan for funding from the second round of the Neighborhood Stabilization Program (NSP2). As the nation's leading producer of owner-occupied homes for low- to moderate-income households, and with its broad and diverse base of support Habitat is uniquely positioned to fulfill the intent of this program &ndash; to stabilize neighborhoods whose viability has been damaged by the economic effects of foreclosed and abandoned properties.

>As described in this proposal the Habitat NSP2 team will revitalize its target neighborhoods with a comprehensive development focus that will include NSP- funded activities supported by high quality family counseling, and augmented with home repair, weatherization, landscaping and similar support for existing residents, all designed to ensure long term revitalization and impact.

## &gt;Target Geography and Participating Developers

>For this proposal HFHI has chosen to work in seven geographically diverse cities. From within these communities, HFHI has assembled a target geography comprised of high risk census tracts having an average high neighborhood stabilization index (NSI) of 18.71. In each community, HFHI will engage the local Habitat developers to conduct NSP2 activities designed to stem and reverse the negative effects of foreclosed, abandoned and vacant properties. The communities and participating developers for this proposal are:

>1. Collier County (Naples), FL &ndash; Habitat for Humanity Collier County

>2. Pensacola, FL &ndash; Pensacola Habitat for Humanity

>3. Miami FL &ndash; Habitat for Humanity of Greater Miami

>4. Dallas, TX &ndash; Dallas Area for Humanity

>5. Metro Los Angeles, CA (cities of Lynwood and South Gate) &ndash; Habitat for Humanity of Greater Los Angeles

>6. Brooklyn, NY &ndash; Habitat for Humanity New York City

>7. Milwaukee, WI &ndash; Milwaukee Habitat for Humanity

>Combined with HFHI's extensive experience managing federal grant funds and providing resources and technical assistance to its local developers, this dynamic team of Habitat developers has a record of accomplishment and production capacity to make a powerful and positive impact in each of the target areas.

## Program Activities

>During the next three years Habitat's NSP2 work will create 1062 units of long-term affordable housing in its target geography, and will provide down payment assistance for an additional 15 units, resulting in homeownership opportunities for 1,062 low (at or below 50%AMI) to moderate (at or below 80% AMI) income families. Approximately 564 of these homes will be created through the purchase and rehabilitation or reconstruction of existing foreclosed homes and 483 will be homes which are newly constructed on vacant land. Habitat will provide down payment assistance on "Habitat" homes to an additional 15 families through a "soft second" mortgage. In addition, for the 1,062 homes which it sells, Habitat will provide affordable first mortgages to the homebuyers, and do so in conjunction with and as an integral part of local established plans designed to stabilize those target areas.

## Habitat's Unique Model &amp;ndash;

> Habitat's focus on the long- term success and sustainability of the nation's low-to moderate- income families has always set it apart from other homebuilders as well as mortgage lenders. Unlike any other homebuilder, Habitat for Humanity mobilizes thousands of congregations, businesses, local government partners, foundations, building supply manufacturers and distributors and nearly 1,000,000 volunteers to build and rehabilitate houses for and with thousands of low-to moderate-income families each year. After the houses are built, they are sold to pre-qualified families who have contributed hundreds of hours of "sweat equity" to the building of their house. Based on Habitat's historic foreclosure of less than 1%, Habitat can virtually guarantee that its NSP2 families will be successful homeowners and that these properties will not be subject to re-foreclosure.

Habitat's financial model relies on contributed resources (labor, materials and funds) to construct our projects, cutting down on the total costs. This model allows the local affiliate to assure long term affordability to the home buying family through the offering of affordable mortgages. Habitat affiliates offer 20-30 year, 0% interest mortgages. Unlike the adjustable rate loans that have led millions of foreclosures

across the country, Habitat loans are fixed rate for the term of the loan, with minimal closing costs.

## Target Geography:

### 1.a. Target geography.

Habitat For Humanity International (HFHI) has identified seven target communities. In each community, HFHI selected a local Habitat affiliate, after an intensive review process, to conduct NSP 2 activities, as the central focus of its community development and revitalization work that will stem and reverse the negative effects of foreclosed, abandoned and vacant properties. In each target area, Habitat affiliates will build on existing community development efforts. They have sufficient staff and resources in place to launch proposed activities immediately.

1. Collier County (Naples), FL - Habitat for Humanity Collier County
2. Pensacola, FL - Pensacola Habitat for Humanity
3. Miami, FL - Habitat for Humanity of Greater Miami
4. Dallas, TX - Dallas Area Habitat for Humanity
5. Metro Los Angeles, CA (cities of Lynwood and South Gate) - Habitat for Humanity of Greater Los Angeles
6. Brooklyn, NY - Habitat for Humanity New York City
7. Milwaukee, WI - Milwaukee Habitat for Humanity

Combined with HFHI's extensive experience managing federal funds, as well as providing resources and technical assistance to its local affiliates, this dynamic team has a record of accomplishment and production capacity to make a powerful and positive impact in each of their target areas.

This combination of cities represents a cross-section of the struggles that different communities across the country face in response to the foreclosure crisis — from the overheated markets of Florida and California, to the persistent struggles of low- to moderate-income households in Texas; and from the perpetually expensive market of New York City to the industrial decline in the city of Milwaukee. With an average high neighborhood stabilization index (NSI) of 18.71, HFHI has identified high-risk census tracts in these seven cities as its target geography. Attachment 1 lists the target census tracts, the neighborhoods and zip codes, as well as the three required HUD risk index scores.

HFHI as the grantee will engage each affiliate as a developer to complete all of the NSP2 projects located within its respective community. Each affiliate has committed in writing to undertake this work, subject to receipt by HFHI of an NSP2 award. HFHI and each of the seven affiliates (the Habitat NSP2 team) will enter into formal detailed binding contractual agreements upon receipt of such an award.

### 1.b. Market conditions and demand factors

Even though the proposed target areas face similar issues — high crime rates, foreclosed and vacant properties, unemployment and affordability issues — each faces unique challenges. Those challenges are described in detail below in the target area summaries. Market Absorption Rates are calculated as the [delete colon] total # of foreclosed inventory / absorption rates (sales over last 6 months) = total months inventory. This number is projection of the absorption rate without NSP 2 intervention.

Naples, Florida (Collier County)

#### 1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[1] = 22

#### 1.b.(2) Most critical factors

Since 2005, over-valuation of housing and predatory lending practices have severely affected the real estate market in Naples, Florida. In 2006, Naples, with an average house price of \$383,000 was considered to be over-valued by 102.6%.[2] Many low- to moderate-income families have become victims of predatory lending practices. Easy access to credit allowed these families to take out second mortgages and refinance based on inflated house values. Subprime loans and ballooning house equity lines were underwritten in record numbers. Subprime mortgages comprised 31% of house loans in recent years.[3] This resulted in a glut of foreclosures and a 33% drop in house values.[4] Half of all foreclosures are in low- to moderate-income, working class neighborhoods[5] and as of June 2009, the average sale price of a foreclosed property was still out of the affordability range for nearly 40% of the population of these areas.

#### 1.b.(3) Income characteristics

In Habitat Collier County's proposed target areas of Naples Manor, Trail Acres and Airport Road, 20% of residents between 81% and 120% AMI; 19% between 80% and 51% AMI; and, 18% of residents at or below 50% AMI are cost burdened.[6]

#### 1.b.(4) Other relevant factors

In addition, a rising unemployment rate (currently 9.2%) has disproportionately affected these communities.[7] The Naples economy, driven by the construction, tourism, retail and banking industries, has significantly slowed since 2007, exacerbating the housing crisis. Collier County has the highest cost of living in the state of Florida - 6.5% higher than the average for other counties.[8]

#### 1.b.(5) Activities most likely to stabilize the target area

To address the high foreclosure rates and affordability issues in Naples, Habitat Collier County will use NSP2 funds to purchase and rehabilitate 90 foreclosed houses. In addition, ten new houses will be constructed following the demolition of older, dilapidated houses. This will contribute significantly to the stability of the proposed target areas by reducing the number of foreclosed or abandoned properties and by quickly increasing the levels of stable homeowners to the community.

Pensacola, Florida

#### 1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[9] = 32

#### 1.b.(2) Most critical factors

Pensacola Habitat's proposed work in Pensacola targets eight contiguous tracts, which constitute the western urban core of Pensacola. In South Santa Rosa County, an area with a large income disparity, Pensacola Habitat will target two adjacent tracts to serve the

low- to moderate-income population in the area. Following the major storms Hurricanes Ivan in (2004) and Dennis (2005) and some smaller more recent storms, some owner-occupied units in the targeted tracts utilized FEMA dollars to help with post-storm repairs and weatherization; however, it was insufficient. The remaining 33-year old housing stock was left unrepaired and continued to decline due to high rates of abandonment (8%), and income to make the repairs on their own. This has resulted in 2,332 vacant properties.[10] High rates of subprime mortgages (48%) sold to low- to moderate-income families during the housing boom exacerbated the crisis in the area.[11]

1.b.(3) Income characteristics

11% of residents between 81% and 120% AMI; 23% at 51% and 80% AMI; and, 59% of residents at or below 50% AMI are cost burdened.[12]

1.b.(4) Other relevant factors

The area also suffers from an unemployment rate of more than 9.2% in Escambia County and 8.6% in Santa Rosa County, as of June 2009.[13] All targeted areas have been impacted by a high rate of abandoned houses and lots, which have become hosts for drug use and other criminal activity. Coupled with the increased crime rates, blighted structures have rendered these neighborhoods undesirable further depressing property value. Foreclosure and abandonment have caused families to move frequently, which detracts from stable neighborhoods.

1.b.(5) Activities most likely to stabilize the target area

To address the high rates of blighted and abandoned properties, the high rates of foreclosures and the growing number of houses falling into a state of disrepair, Pensacola Habitat will use NSP2 funds to purchase and demolish 195 dilapidated properties damaged by storms and replace them with 195 new houses built on the cleared lots. Additionally, Pensacola Habitat will purchase, rehabilitate and sell 45 properties. This intervention will contribute significantly to the stability of the proposed target areas by reducing the number of blighted, foreclosed or abandoned properties in the target areas and by quickly increasing the levels of stable homeowners to the community.

Miami, Florida

1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[14] = 78

1.b.(2) Most critical factors

The target geography in Miami is a group of contiguous census tracts in a historically African-American, single-family neighborhood, Liberty City, in Miami-Dade County's urban core. Miami-Dade County has been severely affected by the over-valuation of housing - a "bubble" now burst - which, in combination with the ready availability of subprime mortgages, is the most critical factor causing the high rate of abandonment and foreclosures in the target geography (9%)[15] and foreclosures (33%)[16] in the target geography. On average, the percentage of subprime loans in these census tracts is over 51%.[17] There are 705 vacant properties in target areas. Additionally, a high number of properties damaged by previous storms have contributed to much of the blight in the target areas.

1.b.(3) Income characteristics

In target areas, 46% of residents between 81% and 120% AMI; 51% between 51% and 80% AMI; and, 72% of residents at or below 50% AMI are cost burdened.[18]

1.b.(4) Other relevant factors  
part of the Liberty City neighborhood, continues to have one of the highest crime rates in the county, underperforming schools and high unemployment rates (9.6%).[19] In the last ten years, the Liberty City neighborhood has also lost 850 units of public housing. The displacement of these low- to moderate-income families has added to problems of an already economically unstable area.

1.b.(5) Activities most likely to stabilize the target area

To address the high rate of foreclosures, Habitat Miami will use NSP2 funds to acquire and rehab 70 foreclosed properties. Of this number, 48 will be torn down to the foundation and rebuilt to meet current code and the remaining 22 will be rehabbed. Additionally, 90 new houses will be built on currently vacant sites. This intervention will contribute significantly to the stability of the proposed target areas by reducing the number of foreclosed or abandoned properties in the target areas; increasing the available affordable housing stock; removing blighted and vacant properties; and quickly increasing the levels of stable homeowners to the community.

Dallas, Texas

1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory of houses[20]= 3; total months inventory of vacant lots[21] = 78

1.b.(2) Most critical factors

Dallas Area Habitat is requesting NSP2 funding to create owner-occupied infill housing in four existing neighborhoods of Dallas: Fair Park, Rochester Park, Exeter and West Dallas. Southeast Dallas target areas have 1,123 vacant properties and an estimated 78-month inventory of vacant, developed lots. Overbuilding of subdivisions in the mid 2000's created a glut of developed lots in the outer, more suburban target areas. In the proposed in-fill areas, which are closer to downtown and therefore more urban, abandonment has been caused by loss of employment opportunities, lack of economic development, lack of amenities, commercial development and high crime. The target areas are severely and detrimentally impacted by the condition of the derelict properties, as evidenced by the fact that in a recent four-month period there were 3,775 code violations in the target areas.[22]

1.b.(3) Income characteristics

In the proposed target areas, 7% of residents between 120% and 80% AMI; 25% between 51% and 80% AMI; and, 58% of residents at or below 50% AMI are housing-cost burdened.[23]

1.b.(4) Other relevant factors

Large swaths of underused and undervalued land, minimal commercial development, high unemployment (14.7%)[24], poor schools, high crime rates and a history of racial tension and segregation plague target areas. NSP efforts will be coordinated with local and regional job and economic development initiatives, to help the target areas stabilize and emerge from the crisis. For example, according to the City of Dallas Department of Economic Development, as of May 26, 2008, the International Inland Port of Dallas, near targeted census tracts, is expected to employ an additional 100 jobs. Activities most likely to stabilize the target area

The Dallas target areas have an unusually high number of vacant lots that contribute to the high rate of blight. To address this issue, Dallas Area Habitat will use NSP2 funds to build 250 new houses on vacant lots and sell the houses to low- to moderate-income families. Its efforts will significantly contribute to the stability of the community by eliminating vacant lots that contribute to blight and criminal activity, as well as by quickly increasing the number of stable homeowners, who contribute and are connected to the local economy.

Metro Los Angeles, California (Cities of Lynwood and South Gate)

1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[25] = 14

1.b.(2) Most critical factors

Habitat LA proposes to work in two adjacent communities: the cities of Lynwood and South Gate, located about 12 miles southeast of downtown Los Angeles. In Lynwood and South Gate, unemployment has historically been higher than the Los Angeles County average and has recently increased to 14.5% in South Gate and 17.89% in Lynwood.[26] In the proposed target areas, overvaluation and sub-prime lending, coupled with low incomes for even multiple-income families (averaging only 60% of the County AMI)[27] have been major factors in the decline of the area. In addition, high population density coupled with aging and overcrowded housing stock further contributes to the housing need.

1.b.(3) Income characteristics

In proposed target areas, 18% of residents between 80% and 120% AMI; 27% between 51% and 80% AMI; and, 40% of residents at or below 50% AMI are cost burdened.[28]

1.b.(4) Other relevant factors

In the target areas, the increasing cost of housing has far outpaced the rise in wages and salaries, making it difficult for working people and even multiple-income families to purchase a house or pay market rents. The crisis impacts all segments of the housing market, but is particularly dire for those with limited job skills, lack of financial literacy, limited English proficiency and overcrowded housing conditions. Overcrowding in existing housing is prevalent. Population density is over seven times greater than that of Los Angeles County as a whole.[29] The aging housing stock (average 61 years old) leads to a growing need for housing rehabilitation.

1.b.(5) Activities most likely to stabilize the target area

Habitat LA is virtually the only nonprofit homebuilder providing homeownership opportunities for families at or below 50% of AMI. To address the issues of affordability, overcrowding and the high rates of foreclosures, Habitat LA will use NSP2 funding to offer for purchase 15 soft second mortgages; acquire, rehabilitate and sell 60 foreclosed properties; build and sell 10 new houses and 3 condominium units on vacant lots; and, convert a foreclosed church into 20 new housing units. This intervention will contribute significantly to the stability of the target areas by increasing the number of homeowners, increasing the levels of stable homeowners to the community and removing blighted and vacant properties.

Brooklyn, New York

1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[30] = 13

1.b.(2) Most critical factors

The proposed target areas are located five miles east of downtown Manhattan in the Ocean Hill and Bedford Stuyvesant neighborhoods of Brooklyn. These are economically distressed areas that have been hit hard by the economic downturn. The already high cost of housing has been further exacerbated by increased unemployment. The steady rise in the unemployment rate — the most recent figure places it at 8.7%[31] — has weakened local businesses and destabilized the economic base. Subprime mortgages make up nearly half of all mortgages issued in 2007 in the targeted areas.[32] Over-valuation of housing and high concentration of unsustainable subprime loans constitutes some of the critical factors causing the foreclosure problem. A high rate of vacant properties (612) also plagues the target areas, contributing to high crime and blight. Due to past disinvestment, much of the area's aging housing stock has been demolished in recent years and left undeveloped.

1.b.(3) Income characteristics

In Ocean Hill, 68% of households below 50% of AMI are cost burdened. In Bedford Stuyvesant, 61% of households below 50% of AMI are cost burdened the figure.[33] 7% between 51% and 80% AMI or below are cost burdened.[34] 5% of residents between 81% and 120% AMI

1.b.(4) Other relevant factors

In the target areas, major crime complaints have also increased in the target areas by 4.5% this year.[35] This high crime rate has hindered stabilization of the housing market, which has been experiencing a foreclosure rate of one out of every five houses.[36]

1.b.(5) Activities most likely to stabilize the target area

To help stabilize the economy, address the issue of blight caused by the vacant lots and address the issue of high foreclosure rates, will use NSP 2 funds to acquire, rehabilitate, and sell 70 foreclosed or abandoned properties. In addition, HFH-NYC will construct 30 new condominium units on tax foreclosed, currently vacant lots. Habitat efforts will be instrumental in stabilizing the economic foundation of the target areas by increasing the number of stable, contributing homeowners; reducing the number of foreclosed or abandoned properties; increasing the available affordable housing stock; and, removing blighted and vacant properties

Milwaukee, Wisconsin

1.b.(1) Market absorption rates

Market Absorption Rates: Total months inventory[37] = 69

1.b.(2) Most critical factors

Habitat Milwaukee will work in the Amani, Washington Park and Armbury neighborhoods of Milwaukee. The target areas suffer from high unemployment (13.5%)[38] and a high number of vacant lots (1,039) in the area. The City of Milwaukee's poverty rate is ranked seventh worst among large cities in the US.[40] Proposed target areas have also been affected by high rates of subprime loans (75% of recent mortgages), [41] and predatory lending practices.

Milwaukee also currently has an unemployment rate of 8.9%, with much higher rates (15% and higher) in the proposed target areas.[42] Most residents in these areas who are employed work primarily in the manufacturing and the service sectors, which offer only low-paying jobs and have suffered greatly from the economic downturn.

1.b.(3) Income characteristics

In the proposed target areas, 4% of residents at or below 120% AMI; 8% at 80% AMI or below; and 16% of households below 50% of AMI are cost burdened are cost burdened.[43]

1.b.(4) Other relevant factors

The age of the housing stock also poses a problem. It is, on average, 58 years old and deteriorating rapidly.[44] Even though there is a high number of foreclosed properties in the target areas (937), Habitat Milwaukee has found that often these properties are in such a state of disrepair that the costs of rehabilitating these older, larger houses are far greater than those of building new houses on vacant lots next door. Moreover, low- to moderate-income residents have difficulty affording regular maintenance and the utilities on such properties.

1.b.(5) Activities most likely to stabilize the target area

Milwaukee Habitat is the only nonprofit provider of homeownership opportunities for families at or below 50% AMI in Milwaukee. To address the glut of vacant lots, Habitat Milwaukee will use NSP2 funds to build and sell 100 new houses on vacant lots. This intervention will remove vacant properties in the target areas; increase the levels of stable homeowners to the community; and provide families with affordable, easily manageable and energy efficient houses.

[1] Sunshine MLS and RealtyTrac.com

[2] 2006 study by Global Insight and National City Corporation titled House Prices in America

[3] RealtyTrak, June 2009

[4] RealtyTrak, June 2009

[5] Naples Area Board of Realtors

[6] Shimberg Center for Affordable Housing, University of Florida (2010 projections)

[7] Collier County Economic Development Council, 2009

[8]2007, University of Florida Bureau of Economic and Business Research annual study on the cost of living in Florida

[9] RealtyTrac.com

[10] HUD User Data Sets - USPS Vacancy Data

[11] HUD User Data Sets - NSP Foreclosure Need Data Download, data on percent of all loans made between 2004 and 2006 that are high cost

[12] Florida Housing Data Clearinghouse

[13] U.S. Dept. of Labor, Bureau of Labor Stats, Pensacola MSA; Haas Center for Business Research and Economic Development (University of West Florida)

[14] Trulia.com, June 2009

[15] TRF Policy Map, March 2009

[16] huduser.org, November 17, 2008

[17]TRF Policy Map, 2007

[18] TRF Policy Map, 2000

[19] LAUS -Bureau of Labor Statistics

[20] Standard&Poors Case/ShillerMonthly Index for1stQuarter 2009 asreported inThe Dallas MorningNews

[21]&ldquo;Lot Supply Hits 100,000 in D-FW,&rdquo; Dallas Business Journal, (August 15, 2008).

[22] City of Dallas Department of Code Compliance, June 2009

[23] CHAS Data book found at www.huduser.org, based on 2000 census numbers for the City of Dallas

[24] Dallas Federal Reserve Bank, <http://www.dallasfed.org/data/region.html>

[25] RealtyTrac.com

[26] California State Employment Development Department, [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

[27] www.GeoLytics.com

[28] www.labormarketinfo.edd.ca.gov

[29] Nielsen-Claritas 2008

[30] RealtyTrac.com

[31] NYC Dept of Labor Report, May 2009

[32] PolicyMap.com, 2007 data

[33] American Community Survey, 2007

[34] www.policymap.com/map, 2000

[35] Brooklyn 73rd Precinct CompStat Volume 16, Number 19. 5/10/2009

[36] HUD USER, June 2009, <http://www.huduser.org/nspgis/excel/NSP2-NY.xls>

[37] RealtyTrac.com

[38] US Census Bureau, 2000

[39] The number of vacant lots is expected to increase because of demolition activities under NSP 1 by the City of Milwaukee.

[40] 2007 American Community Survey

[41] According to a study done by the University of Wisconsin-Milwaukee

[42] Compass Statistical Data, City of Milwaukee

[43] TRF Policy Map

[44] Federal Financial Institutions Examination Council, 2008

## Program Approach:

NSP2 program

HFHI, as the grantee, will engage each affiliate as a developer to complete all of the NSP2 projects located within its respective community. In each of the seven target areas, the NSP2 team (HFHI and each of the seven affiliates) will provide at least 100 units of housing resulting in a minimum of \$14 million in total development costs per area. Habitat affiliates will build on existing community development efforts. They have sufficient staff and resources in place to launch proposed activities immediately. Each affiliate has committed in writing to undertake this work, subject to receipt by HFHI of an NSP2 award. The NSP2 team will enter into a formal, binding contractual agreement upon receipt of such an

award.

#### Goals and Objectives

>The Habitat NSP2 team's long-term goal in each target area is to build a more sustainable community. In each target area, the proposed NSP2 program will achieve this goal by coordinating efforts with local community partners and focusing on housing solutions that Habitat excels at to achieve the following objectives:

\* Increase the affordable housing stock by purchasing, rehabilitating and returning houses to occupancy, where appropriate

>\* Increase the affordable housing stock by purchasing, demolishing and rebuilding affordable houses, where appropriate

>\* Build new infill housing on vacant lots, where appropriate

>\* Offer appropriate mortgage products to low- to moderate-income families

>\* Incorporate energy efficient technologies and sustainable building practices in all activities

>\* Provide critical housing support services to low- to moderate-income families

>\* Mobilize community volunteers and greater resources to the target areas

>\* Strengthen existing strategic partnerships and generate new ones to holistically address community challenges

>\* Engage a broad collection of key neighborhood stakeholders, including local government, businesses and, most importantly, residents in creating and implementing solutions

>\* Collect and analyze data to provide information to community leaders and the public

#### Outcomes

>The Habitat NSP2 team is committed to conducting comprehensive evaluations of all its programs. As part of the evaluation plan for the proposed NSP 2 program, the Habitat NSP2 team will measure progress toward the outcomes listed below, relying on community-based qualitative and quantitative research, using web-based technology, GIS mapping tools, current local data, comprehensive information tracking systems, community surveys, and input from community stakeholders. In each of the proposed target areas, the Habitat NSP2 team will realize the following outcomes, aligned with the outcomes discussed in the NSP 2 NOFA:

#### Short term (1-3 years):

>\* Arrested decline in house values based on average sales price by converting lower-priced assisted REO purchases to future higher-priced private market sales.

>\* Maintain and enhance house values by providing high quality maintenance and by making capital improvements

>\* Maintain house values by inducing long-term homeownership with financial incentives

>\* Reduction or elimination of vacant and abandoned residential property- by acquiring and returning these to the housing market

>\* Target and purchase the most distressed or blighted properties &ndash;improve and return to the market\*ng the number REO sales of residential properties in targeted neighborhoods

>\* Increase sales to qualified homebuyers with the use of Habitat down payment assistance

>\* Increased energy efficiency (and reduce utility costs) of NSP properties

>\* Provide a direct and indirect economic boost to local and regional economies by spending on construction, lending, brokerage and related services

#### Long term (3-5 years):

>\* Increased median market values of real estate in target neighborhoods

>\* Increased neighborhood security resulting from homeownership

>\* Extend the longevity of the assisted housing stock by means of high quality rehabilitation and capital replacements and enhancements

#### NSP2 Program Activities

>In each community, the proposed activities will expand the Habitat NSP2 team affiliate's existing efforts, build on existing NSP 1 activities and strategically complement other NSP2 activities, primarily because the Habitat NSP2 team serves the lower income levels of the NSP2 required income range. In each target area, the Habitat NSP2 team has developed appropriate responses to the crisis based on the proven Habitat model.

#### Property acquisition

>NSP2 funds will be used to acquire foreclosed or abandoned houses, vacant structures and vacant lots in appropriate target areas for rehabilitation. All properties purchased under this activity will meet the required minimum Fair Market Value (FMV) purchase discount of at least 1% below current market appraised value and overall 1%. Actual FMV discounts will be verified by third-party appraisal. Prior to purchase, the Habitat NSP2 team will ensure an environmental review in accordance with 24CFR Part 50 is approved by HUD, clear title, conduct thorough inspections to assess rehabilitation and other costs and aggressively negotiate to obtain the lowest possible purchase price. The Habitat NSP2 team will not use NSP funds to purchase occupied houses, and as such, will not encounter the need to arrange for relocation of families. Should the need arise HFHI has highly qualified staff to assure compliance with the URA. The Habitat NSP2 team will identify eligible properties from the following sources:

\* National Community Stabilization Trust (NCST): The NCST, HFHI and its local affiliates and state support organizations have been in regular dialogue since release of the NSP1 regulations in 2008. As prospective purchasers of NSP properties, members of the Habitat network are ideal users of the REO coordination services provided by the Trust. Both organizations are committed to working in coordinated ways that expand the ability of communities to respond to the problems caused by the large and growing number of foreclosed and abandoned residential properties. NCST and HFHI intend to continue to consult and coordinate on NSP 1 activities and, to the extent that either or both organizations receive funding awards from HUD, these efforts will continue for NSP2.

>\* Local municipalities: As part of the NSP2 program, the Habitat NSP2 team will work with local government to identify and purchase properties for the program. Three affiliates (Dallas, NYC and Miami) have already received donated or purchased deeply discounted properties from city and county agencies.

>\* REO (Real Estate Owned) properties acquired through NSP2: The Habitat NSP2 team will work with local government to identify and purchase suitable REO properties to implement NSP2 activities.

>\* Local brokers: The Habitat NSP2 team will train and utilize local brokers with regard to NSP program requirements such as location, occupancy, pricing, buyer qualifications, approved loan types, etc.

>\* Foreclosure Databases Affiliates will establish databases, collect, and track information on pre-foreclosures, properties to be auctioned, and lender REO's for acquisition and market monitoring purposes.

#### House construction and rehabilitation

>Under NSP2 eligible activity B, the Habitat NSP2 team will rehabilitate acquired foreclosed and abandoned properties. Prior to the start of any NSP2 activities, environmental reviews will be conducted that meet NSP2 statutory requirements. Each Habitat NSP2 team affiliate will work with the local HUD office to conduct all environmental reviews. Each property will be brought up to current code using the latest rehabilitation methods and the rehabilitation standards attached to this application. Where lots have been cleared by the Habitat NSP2 team or a partner or on existing vacant lots, the Habitat NSP2 team will build new houses. All new construction houses and gut-rehabs will exceed ENERGY STAR standards. Affiliates in Florida will comply with state and county hurricane damage mitigation rehab and construction

standards.

Property disposition

>The Habitat NSP2 team will sell all rehabilitated and new houses to low- to moderate-income families at or below 80% AMI. Because of the overwhelming need for affordable housing in each of the target areas, the demand for Habitat houses is high and continues to grow. Potential applicants are identified from the local communities via referrals, walk-ins and local partnerships with other housing, churches and social service organizations, purchase of local renter databases and public and public awareness raising events conducted by the NSP2 team.

Homebuyer selection

>The Habitat NSP2 team will use HUD’s 2009 Income Limits Chart to determine income eligibility. A homeowner’s ability to pay is based on four factors:

\* The family has a reliable source of income, verified by acceptable documentation

>\* The family’s annual income is not less than 30% of AMI

>\* The family’s income is adequate to make the monthly principal, tax and insurance payments while also meeting their other debt and living expenses.

>\* The family has a credit history that would support their ability to sign a mortgage and they have a demonstrated history of making payments on time

In addition, qualified homebuyers for the Habitat NSP2 program are selected based on the following criteria:

>\* Need: Sufficient need is determined when a family

>o Does not qualify for homeownership through conventional financing or any other special purpose loan program

>o Has an annual income that is not more than 80% of AMI

>o Has one or more of the following need-related factors:

>\* the family is extremely “cost-burdened” (defined as spending 50 percent or more of their income for housing) and does not have the downpayment for a house

>\* the family is not currently cost-burdened as defined above only because they are receiving temporary, non-sustainable financial support

>\* their current housing has defective physical conditions

>\* their current housing is overcrowded

>\* the family is living in temporary housing, such as a tentative living arrangement with relatives, or living in a transitional housing facility

>\* Willingness to partner: Qualified homeowners are committed to being a full partner in the construction of their house. The homeowner understands Habitat’s “sweat-equity” requirement and is willing to fulfill it and to participate in pre-purchase counseling.

Housing finance

>Households who are selected to purchase a Habitat house will be provided with a 20-30 year, 0% interest mortgage from their local Habitat affiliate to finance the purchase of that house. In Brooklyn, New York only, 2% mortgages with the loan principal discounted to a level that matches a 0% mortgage at full price, which are offered by approved banks with State of NY mortgage insurance. The program structure meets all NSP2 statutory and regulatory requirements. Furthermore, in the event that the Habitat NSP2 team affiliate needs to write down the principal amount of its first mortgages to an amount less than the market value to achieve affordability, the affiliate will place a deferred and forgivable second mortgage on the property for the difference between the value of the first mortgage and the house’s appraised value at sale. The combination of the first and second mortgages will be equal to the appraised value of the house at time of sale.

**Consortium Members:**

none

**How to Get Additional Information:**

Stacy Summerset, Reporting Specialist 229 410 7518 ssummerset@habitat.org

Jack Bridges, NSP Program Manager 404 962 3433 jbridges@habitat.org

Treon Watts, NSP Grant Coordinator 404 733 3093 twatts@habitat.org

Donna Golden, Director Govt. Grants 229 938 9912 cell 229 410 7514 office, dgolden@habitat.org

Overall	This Report Period	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$137,620,087.86
<b>Total CDBG Program Funds Budgeted</b>	N/A	\$137,620,087.86
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Obligated CDBG DR Funds</b>	\$420,354.90	\$420,354.90
<b>Expended CDBG DR Funds</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00



## Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$0.00	\$0.00
Limit on Admin/Planning	\$13,762,008.80	\$0.00
Limit on State Admin	\$0.00	\$0.00

## Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$13,762,008.80	\$9,710,916.30

## Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$34,405,022.00	\$38,982,968.65

## Overall Progress Narrative:

For these last two quarters Habitat for Humanity has been working on creating protocol and procedures to enable developers to carry out their NSP2 program. Many HFHI staff members have attended several trainings being held by HUD to ensure we are capturing all the necessary steps to assist developers in having a successful program. We have held an initial face-to-face conference/training for all seven developers to discuss their wants and desires of the type of help they would like to receive from HFHI staff. NSP2 Grant Officers have been diligently preparing environmental review records to submit to HUD to enable Developers to either purchase properties or began their rehab process. HFHI Grant Officers have received clearance on properties for three of the seven developers to date and expecting to receive clearance for the other four developers soon. Currently HFHI has obligated some of their Administrative funds during this quarter and created a voucher as well during this quarter. Also, provided weekly calls for the developers to enable them to discuss any problems or issues that they may be having in regards to either finding property, discussing federal regulations imposed by the grant, and etc. HFHI is in the process of finalizing their Community Central database that will house the information for the grant (properties and documentation to show properties are eligible to receive NSP2 funding.)

## Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
101, BCKT - HFH of Greater Los Angeles	\$0.00	\$27,901,673.88	\$0.00
102, BCKT - HFH of New York City	\$0.00	\$20,604,935.71	\$0.00
103, BCKT - Pensacola HFH	\$0.00	\$24,658,454.14	\$0.00
104, BCKT - HFH of Collier County	\$0.00	\$9,178,936.54	\$0.00
105, HFH of Greater Miami	\$0.00	\$9,724,434.75	\$0.00
106, BCKT - Milwaukee HFH	\$0.00	\$6,886,478.48	\$0.00

107, BCKT - Dallas Area HFH	\$0.00	\$28,954,258.20	\$0.00
6510006, NSP2 Admin	\$0.00	\$9,710,917.00	\$0.00
6510013, NSP2 Financing Mechanism	\$0.00	\$1,631,326.00	\$0.00
6510014, NSP2 Purchase and Rehab	\$0.00	\$74,503,590.00	\$0.00
6510015, NSP2 Acquire and Redevelop	\$0.00	\$51,774,255.00	\$0.00
9999, Restricted Balance	\$0.00	(\$137,620,088.00)	\$0.00

## Activities

**Grantee Activity Number:** 6510006  
**Activity Title:** NSP2 Admin

**Activity Category:**

Administration

**Project Number:**

6510006

**Projected Start Date:**

02/11/2010

**Benefit Type:**

N/A

**National Objective:**

N/A

**Activity Status:**

Under Way

**Project Title:**

NSP2 Admin

**Projected End Date:**

02/11/2013

**Completed Activity Actual End Date:**

06/30/2010

**Responsible Organization:**

Habitat for Humanity International

Overall	Apr 1 thru Jun 30, 2010	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$9,710,916.30
<b>Total CDBG Program Funds Budgeted</b>	N/A	\$9,710,916.30
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Obligated CDBG DR Funds</b>	\$420,354.90	\$420,354.90
<b>Expended CDBG DR Funds</b>	\$0.00	\$0.00
Habitat for Humanity International	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00

**Activity Description:**

Direct and indirect cost to administer NSP2 grant

**Location Description:**

**Activity Progress Narrative:**

During the first quarter, HFHI staff attended the first conference/training given by HUD for NSP2 grantees that was an overview of the requirements for the NSP2 grant. First month of the second quarter, HFHI staff held a 3 day conference for the 7 developers that consisted of presenters that discuss topics such as Environmental Reviews, Opportunities for Land/Foreclosed properties, Auditing Requirements, Internal Controls, Eligible Expenses, Compliance and Grant Management and Draw Down Process. During this conference we allowed for several one-on-one conversations with developers to talk about any issues they possibly would see arise.

HFHI received environmental clearance on their administration portion of the grant on June 10, 2010. Habitat for Humanity International has currently obligated \$420,354.90 for the quarter ending June 30, 2010. These funds were spent towards approved pre-award expenses dealing with the NSP2 grant (attending conference and trainings pertaining to NSP2) and hours covered by NSP2 Grant Staff. HFHI Grant Staff has been working to create a NSP2 manual that will assist developers with questions they may have in regards to any of the federal regulations that came along with the grant. NSP2 Grant Staff have weekly calls with developers that allow them to discuss issues as a group as well as give NSP2 Grant Staff to show progress. We have also made available weekly developer calls where each developer have their assigned grant officer, ODC and compliance officer to help them with any issues on an one-on-one atmosphere. NSP2 (HFHI) staff has been working with Community Central in completing the design for the database that will assist the developers in tracking their properties from start (purchase/received) to end (home is being transferred to qualified homeowner). Community Central will also assist NSP2 staff to report (QPR) and draw down funds with information housed in the database.

Grant Officers spent this quarter mainly focused on gathering and compiling information for Environmental Review Records for each of their developers. With the process put in place Grant Officers have received clearance on properties for 3 out of the 7

developers during this quarter. Grant Officers dealt with converting previously approved Part 58s into 50s to comply with HUD's requirement for Non-profit grantees. Officers also started on Tier 1 reviews for their developers for all other properties that did not have a previous clearance. Next quarter we are hoping to move forward and assist developers in processing draw request to enable NSP2 Staff to submit vouchers to request NSP2 funding that would be distribute to the developers per eligible expense.

### **Accomplishments Performance Measures**

**No Accomplishments Performance Measures found.**

### **Beneficiaries Performance Measures**

**No Beneficiaries Performance Measures found.**

### **Activity Locations**

**No Activity Locations found.**

### **Other Funding Sources Budgeted - Detail**

**No Other Match Funding Sources Found**

#### **Other Funding Sources**

**Amount**

No Other Funding Sources Found

Total Other Funding Sources

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