

Appendix 3

Detail of Public Comments
Neighborhood Stabilization Program
November 13, 2008

Public Comment: The Municipal working group commented, “Anchorage, as a participant of the Alaska Affordable Housing Partnership, works to implement objectives to increase, rehabilitate, and preserve affordable housing in the community. Anchorage believes that the Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP) funding is a one time opportunity to further common affordable housing objectives and assist in the implementation of publically approved strategic plans such as the Ten Year Plan on Homelessness, the Mountain View Neighborhood Revitalization Strategy, and the United Way Community Action Strategy.

Experienced affordable housing developers in Anchorage who manage and build affordable housing properties with federal funding, such as CDBG, met on November 5, 2008 and November 7, 2008 to design an Anchorage plan for NSP funding. The objective of putting together a community plan was the following:

- * Ability to leverage additional resources through planning efforts in order to maximize the number of units created with NSP funding. This includes getting other community funders to support affordable housing development through an organized strategic planning effort. The AHFC Substantial Amendment calls for the creation of 52 units. Anchorage believes it can develop between 70-86 units under the Anchorage plan by leveraging other resources.
- * Reduction in administrative burden to nonprofit developers including limiting the time spent on a competitive process. In addition, a plan will provide the opportunity for agencies to work together on identifying appropriate properties that will be eligible and not cost prohibitive under the regulations.
- * Expedite the timeframe the community is able to identify eligible projects for NSP funding. The foreclosure market moves rapidly in Anchorage and a plan will minimize the chance that agencies will be vying for the same property.”

The MOA developed a matrix outlining a number of affordable housing projects that Anchorage would like to utilize NSP funding to develop under a coordinated planning effort. Partners identified will meet bi-weekly, as a subcommittee of the Alaska Affordable Housing Partnership, once funding is awarded to identify properties to take these activities forward. This plan is supported by the Municipality of Anchorage, the United Way of Anchorage, and the Alaska Mental Health Trust Authority.

Potential Anchorage NSP recipients comment that they strongly support the use of an Request for Qualification (RFQ) process in conjunction with the distribution plan discussed above, and

comment that an RFQ process will be the most efficient and effective method possible to expend NSP funds.

Public Comment: Several commenters supported the concept of Anchorage working together toward the utilization of Neighborhood Stabilization funds as a critical component to broad-based community plans to help more families. The plan submitted by the partners will help advance the overall goal by addressing a critical need to make more affordable housing ready and available.

AHFC Response: *AHFC applauds the Municipal NSP partner's group working together to develop a more unified approach. AHFC will use the RFQ process as suggested by the partners, but AHFC will not eliminate other potential sub-recipients from proposing projects during the RFQ process for funding through NSP.*

Verbal Public Comment: Will individuals not in the Municipal NSP partner's group be allowed to apply for NSP funding?

AHFC Response: *AHFC will not eliminate providers based on participation in the Municipal NSP partner's group. All RFQ responses will be rated and ranked. All proposals must be consistent with the Municipality of Anchorage's Consolidated Plan.*

Public Comments: Will partners be able to negotiate on properties before NSP Grant Agreements are complete?

AHFC Response: *The NSP program would need to be in place and an agency identified as an NSP subrecipient before an agency could move forward to utilize NSP funds for acquisition. Keep in mind that the environmental/appraisal for all NSP properties needs to be completed within the timelines prescribed in the regulation. Agencies that option properties to potentially purchase with NSP funds when the program is in place, option properties solely at their own risk and AHFC makes no guarantee of NSP funding for the acquisition activity.*

Public Comment: Questions were raised whether all acquisitions must be at a discount.

AHFC Response: *HUD verbally clarified that acquisitions under the uses: "D. Demolish blighted structures" and "E. Redevelop demolished or vacant properties" do not require the properties to be acquired at a discount. HUD has verbally clarified that acquisitions under uses A-C require properties to be acquired at a discount. We are waiting for written guidance on this issue.*

Public Comment: Questions were raised whether all acquisitions must be purchased at a discount from an appraised value "determined no more than 60 days prior to the date of the offer to purchase" and indicate that this clause is not consistent with standard real estate practice.

AHFC Response: *We would agree with the public comment, however, current regulations specify this language. We have received informal guidance that suggested that the acquisition must be purchased at a discount from an appraised value "determined no more than 60 days prior to the date of the final offer to purchase." (near closing) Further clarification has been*

requested from HUD from a number of States who feel that the requirement, as it is currently worded, will make it difficult to negotiate a purchase of properties. AHFC will advise potential subrecipients as HUD clarifies this item further.

Public Comment: Further clarification on the re-sale/recapture agreement restrictiveness was requested and whether HOME resale/recapture agreements meet the NSP requirements.

AHFC Response: *Further guidance on the re-sale/recapture agreements will be developed within NSP RFQ process. AHFC HOME Program resale/recapture agreements will meet the NSP requirements.*

Public Comment: A question was asked with regard to whether vacant properties include vacant unimproved land and requested the definition of a “qualified third party” required to write a written review of the property.

AHFC Response: *HUD has currently defined “vacant property” as unoccupied. If further clarified, AHFC will utilize the HUD definition of “vacant property” for NSP. Currently AHFC defines vacant property to include unimproved land as well as land with a structure on the property and the structure is unoccupied. A “qualified third party” is further defined as a professional engineer or certified independent home inspector that will verify, in writing, that a property should be demolished rather than rehabilitated. A real estate professional, a Housing Quality Standards inspector, or Uniform Physical Conditions Standards inspector, and a Certified Energy Rater, are not “qualified third parties.”*

Public Comment: Several potential subrecipients requested clarification on NSP-6 Demolition of Blighted Structures use and the eligible activities under this use.

AHFC Response: *HUD has clarified that the only activity under this use is demolition of a blighted property; however, the property can be redeveloped under NSP Eligible Use “E. Redevelop demolished or vacant properties.” AHFC has posted a Table that reflects eligible uses with corresponding eligible activities for reference for potential subrecipients. HUD further verbally clarified, that eligible uses D and E do not require a foreclosure or the negotiation of a discount rate. Written HUD clarification of these items will be posted on the AHFC website as written documentation becomes available.*

Public Comment: A potential subrecipient indicated that it was unclear who will be the eligible subrecipients under the program and recommended that AHFC limit participation to qualified non-profit housing providers, as well as local governments and tribes. The potential subrecipient also supported a streamlined RFQ process.

AHFC Response: *AHFC agrees that an RFQ process will be held in mid December 2008 or January 2009 which will allow potential subrecipients to apply for NSP funds. AHFC will not limit potential eligible subrecipients. All potential subrecipients should have a demonstrated expertise in the activity proposed to be funded through NSP. All proposals submitted in the RFQ process will be ranked.*

Public Comment: AHFC should encourage communities, particularly those with a preliminary allocation of funds, to develop and submit a community priority plan and AHFC should commit to fund the projects in the plan subject to the presence of a qualified subgrantee.

AHFC Response: AHFC will hold an RFQ process and encourages communities to develop a community plan but will not require the plan to be submitted to AHFC and will not limit the funding of projects to those projects in a community's NSP plan.

Public Comment: A potential subrecipient voiced support for AHFC's submission of a waiver to allow the retention of program income and further requests that the retention of the NSP program income be held at the subrecipient level, rather than by AHFC for reallocation.

AHFC Response: AHFC has currently requested a waiver to retain the program income and will explore this potential with subrecipients at a later date if the waiver is granted.

Public Comment: A potential subrecipient strongly encourages AHFC to extend the land banking option to units of local government.

AHFC Response: AHFC has expanded the subrecipients under the land banking activity.

Public Comment: AHFC proposes to target neighborhoods that exhibit high concentrations of subprime loans and are at highest risk of additional foreclosures. We realize that this is an exigency of the HUD regulations and underlying federal statute. We encourage AHFC to consult with local governments in making these decisions, to ensure that the state's actions support and promote local plans and priorities.

AHFC Response: All NSP programs must be consistent with the applicable HCD plan and AHFC encourages potential subrecipients to work together in planning activities that meet the needs of their community. The Housing and Economic Recovery Act (HERA) is very specific with regard to the factors that should be used to distribute NSP funds.

Public Comment: Any definition of "blight" should first recognize local authority, and provide for consistency with local ordinances. Absent local codes and ordinances, a state definition would be appropriate.

AHFC Response: AHFC is utilizing the HUD definition of "blight" that was provided in the CFR notice.

Public Comment: When foreclosures percentages around the state were reviewed were Mutual Help home ejectment actions considered as part of the foreclosure percentages?

AHFC Response: AHFC did not consider ejectment actions as a part of the data reviewed. AHFC has contacted members of the Association of Alaska Housing Authorities and is in the process of collecting ejectment action data to utilize during the RFQ process. AHFC has asked HUD to determine whether or not ejectment actions meet the definition of foreclosure under the federal HERA ACT.

Public Comment: Although Appendix 1 Table (in the draft for public comment) is merely a suggestion from the Municipality of Anchorage, it should be noted that the suggested use of \$4.5 million dollars to redevelop a blighted mobile home park would not only be the bulk of the Anchorage allocation but also would not accomplish the goals of NSP, which is geared toward scattered site acquisition and demolition/rehabilitation in order to stabilize neighborhoods.

AHFC Response: As suggested, AHFC has removed the Municipality's initial suggested projects and potential subrecipients table from the final document.

Public Comment: How will HUD's Fair Market Rent schedule and the Payment Standards for Public Housing be utilized in determining affordable rents? Does one take precedence over the other. Is there a maximum level at which "affordable" is no longer considered a requirement.

AHFC Response: AHFC defines affordable rents (including utilities) for tenants as 30% of their gross income. Affordable rents are the lesser of the LIHTC program rents, the HUD Fair Market Rents, or the AHFC Payment Standard.

Public Comment: What information is needed from local tribe or TDHE to ensure that the Metlakatla Indian Community is included in the final Substantial Amendment submitted to HUD by AHFC?

AHFC Response: Metlakatla is part of the "balance of state" pool in the allocation process. When the RFP/RFQ process starts after HUD approves the plan (January 2009) everyone will have an opportunity to apply for eligible projects.

Public Comment: AAHA requests that Alaska's NSP Program include a provision requiring requiring that AHFC collect Mutual Help program ejection data from the regional housing authorities and give this data the same weight as foreclosure data when determining the allocation of NSP funds. Ejection is the final process used when a homebuyer has not fulfilled their responsibilities under the Mutual Help Agreement and thus is comparable in substance and process to a formal mortgage foreclosure action by a lender.

AHFC Response: See response above.

Public Comment: I'm excited about NSP-3! That may work for us perfectly! I have to finish reading the rest but thank you for passing it along.

Public Comment: This commenter made three points: 1) AHFC relied too heavily on the prescribed HUD formula elements in the allocation of funds and should modify the allocation to increase the funds to rural Alaska; and 2) More funding should have gone into the "developing financing mechanisms" category; and 3) Land banking activity should be available to all applicants not just AHFC.

AHFC Response to #1: Given the timeframe for submission of the Substantial Amendment, AHFC used the main elements from the federal regulations and added the number of low-

moderate income households by area. Staff feels that these variables adequately address the intent of the legislation. However, based on public comment AHFC is collecting ejection data from rural housing authorities to review during the RFQ process to determine if it is appropriate to use this data as an additional variable.

AHFC Response to #2: *This is an approximate allocation for the Substantial Amendment and is noted as an approximation. AHFC was not required in the Substantial Amendment to identify specific projects or activities. AHFC determined that the bulk of the funds would tentatively be budgeted in the Acquisition/Rehabilitation of foreclosed residential properties (60%) and that approximately 20-25% of the allocation would be tentatively allocated to purchase homes for resale to families at 120% AMI or below. This is a tentative budget by activity since specific projects under NSP will not be known until the RFQ process is complete. It is possible that additional funds could be allocated to NSP-3, 4 & 5 if the RFQ process determines that there are viable projects in the geographic area that merit funding.*

AHFC Response to #3: *Other comments requested that AHFC expand the land banking activities to include sub-recipients, which we allowed in the final draft. The NSP Notice, issued on October 6, 2008, limits land banking activities to “homes that have been foreclosed upon” and this definition cannot be expanded at this time.*

Public Comment: Use NSP funding to fund a Housing Trust fund which will allow for flexibility and can combine the needed resources for affordable special needs housing into one process.

AHFC Response: *Currently a housing trust does not exist in Alaska. It is a discussion item in the upcoming legislative session. The commenters suggested that the NSP program could be coordinated with the Housing Trust once created. Similar to other development programs, the NSP funds could be coordinated or used to further the goals of a housing trust if created. The current plan is flexible enough to allow recipients to target affordable housing and housing for the homeless which are the two main goals of the proposed housing trust.*

Public Comment: Use funds to “seed” land or properties for future development in a housing trust in Alaska. Land acquisition and the challenges associated with meshing acquisition and lengthy timeframes for grant programs make supported housing programs extremely difficult.

AHFC Response: *HUD clarifies in the NSP Notice that funds for the Land Bank activity is limited to “homes that have been foreclosed upon.” Recent HUD guidance suggests that any “vacant or abandoned property” acquisition would need to be acquired with a specific project in mind and that, while not set forth in the Notice, HUD would expect that the redevelopment phase on any acquired vacant property would begin by AHFC or a subrecipient between 12-24 months after acquisition.*

Public Comment: Several commenters supported the Municipality of Anchorage’s request for a joint community planning process to allocate the funds in one process and AHFC’s use of an RFQ process to allocate funds.

AHFC Response: *Addressed in a previous response.*

Public Comment: The commenter encourages local distribution such as in the Municipality of Anchorage, wherever possible.

AHFC Response: *AHFC has adopted an RFQ process for distributing funds directly to local agencies. AHFC will purchase properties itself under the circumstances specified in the plan. One administrative process is the most efficient way to get the funds used during the timeframes allowed by HUD and minimize the complication of reporting under DRGR.*

Public Comment: The commenter strongly encourages AHFC to consider alternatives to a standard redistribution process and encourages AHFC to land bank properties for future redevelopment. The commenter suggested that projects could be selected through a competitive process based on the housing trust's continuum of care criteria prioritizing specialized supported housing and permanently affordable housing.

AHFC Response: *HUD has clarified that Land Bank activities under NSP is limited to homes that have been foreclosed upon. Vacant property can be acquired and redeveloped, but a redevelopment plan would need to be in place and the property acquired would need to break ground on a project within 12-24 months of acquisition. All NSP funds will be disbursed through a competitive RFQ process. Specific points will be awarded for projects that target serving the homeless or individuals who experience permanent disabilities or serve individuals who are at 50% or below area median income.*

Public Comment: This commenter also supported the Municipality of Anchorage's working plan for distribution. They felt strongly that services for the target population should not be limited to the geographic areas of greatest need. They also commented that the appraisal language is unclear and requested additional clarification on the structure of the loan component and the affordability period.

AHFC Response: *AHFC has modified the Amendment to include language that services, when possible, shall be provided within the geographic areas of greatest need, but does not mandate all projects to be developed in the high need neighborhoods. AHFC has clarified the appraisal timing in the final Amendment to reflect that the appraisal must be within 60 days of the final offer. Additional clarification on the requirements of the loan component and affordability period for homeownership activities will be further clarified in the RFQ process.*