



**CITY OF FORT WORTH  
HOUSING & ECONOMIC DEVELOPMENT DEPARTMENT**

**SUBSTANTIAL AMENDMENT TO THE FY 2008  
ACTION PLAN  
(FINAL PROPOSAL)**

**SUBMITTED TO THE U.S. DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT**

**BY THE CITY OF FORT WORTH  
HOUSING & ECONOMIC DEVELOPMENT DEPARTMENT  
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**HOUSING & ECONOMIC DEVELOPMENT DEPARTMENT  
NEIGHBORHOOD STABILIZATION PROGRAM (NSP)  
SUBSTANTIAL AMENDMENT  
(FINAL PROPOSAL)**

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***A. AREAS OF GREATEST NEED***

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Response:

**PROGRAM BACKGROUND**

The City of Fort Worth has been awarded Neighborhood Stabilization Program (NSP) funds through the U.S. Department of Housing and Urban Development (HUD). This program was authorized under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) (Public Law 110-289, approved July 30, 2008), Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes and will additionally follow the alternative requirements of the Notice published in the Federal Register Vol. 73, No. 194, October 6, 2008.

This document is a substantial amendment to the FY2008 Action Plan submitted by the City of Fort Worth to HUD for the NSP. The Action Plan is the annual update to the Consolidated Plan for FY 2005-2010. This amendment outlines the expected distribution and use of \$6,307,433 allocated to the City of Fort Worth through the NSP authorized by the Housing and Economic Recovery Act of 2008 (HERA).

The purpose of the NSP is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties, while providing affordable homeownership opportunities to households at or below 120 percent of Area Median Income (AMI) in areas of greatest need. Further, twenty five percent (25%) of the total

NSP funds must be targeted to provide homeownership to households whose incomes do not exceed fifty percent (50%) of AMI. The City of Fort Worth (“CFW”) will implement a program using NSP funds that ensure expeditious delivery to the areas of greatest need. CFW will use the NSP funds for the purposes intended—to promote neighborhood stabilization where subprime lending has occurred and where foreclosure and housing vacancies have negatively affected the housing market.

To ensure that a greater impact is made in the neighborhoods that have been categorized as areas of greatest need and those that are categorized as at-risk, the CFW chose the ZIP code boundary as a method to select areas where the highest number and concentration of foreclosures occurred during a one year period. Although the city in its entirety was impacted by the foreclosure crisis, as seen in the map in **EXHIBIT A**, the CFW’s program will focus on providing assistance to the homes in neighborhoods located in the following ZIP codes: 76123, 76133, 76112, and the homes in neighborhoods located within the city limits of Fort Worth in ZIP codes 76179, 76131, 76137 and 76248.

**IMPACT OF HOME FORECLOSURES**

According to RealtyTrac®, a foreclosure data provider to MSN Real Estate, Yahoo Real Estate and the *Wall Street Journal’s* Real Estate Journal, Texas ranked number 17<sup>th</sup> in the number of foreclosure actions nationwide. In the Fort Worth/Arlington region, foreclosure action ranked 39<sup>th</sup> highest of the 100 largest metropolitan areas in the United States. RealtyTrac® analyzes data that includes the following phases of *foreclosure impact* in its analysis:

- Default - includes Notice of Default (NOD) and Lis Pendens (LIS)
- Auction - Notice of Trustee Sale (NTS) and Notice of Foreclosure Sale (NFS)
- Real Estate Owned (REO) - properties that have been foreclosed on and re-purchased by the bank.

Foreclosure Impact on Households		
State Impact	Metropolitan Statistical Area Impact	Fort Worth Impact
In Texas, <u>one in every 274</u> households is impacted by foreclosure action.	In Fort Worth/Arlington, <u>one in every 167</u> households is impacted by foreclosure.	At the end of September 2008, there were 4,278 households impacted by foreclosure.
There was a <u>28%</u> increase in foreclosure action between April 2007 and April 2008.	There was a <u>11.9%</u> increase in foreclosure actions between April 2007 and April 2008.	This represents an impact on 1 of every 59 households.

Methodology: Percentages are based on number of foreclosure filing actions and total number of households according to the 2006 American Communities Survey of the U.S. Census Bureau. Foreclosure data from RealtyTrac includes Default, Auction and bank REO data.

## RISK FACTORS FOR FORECLOSURES IN FORT WORTH

In determining target areas, the CFW considered key risk factors with regard to probability of future impact should foreclosures not be addressed in Fort Worth. According to the U.S. Department of HUD's rating of the CFW based on census tract data, *average scores* for various key risk factors include:

Home Mortgage Disclosure Act (HMDA) high-cost loan rate	41.4%
Estimated foreclosure abandonment risk score	7 of 10
Predicted 18-month underlying probable foreclosure rate	5.4% of 10
United States Postal Service (USPS) residential vacancy rate	6.8%
Unemployment rate	5.0%

These numbers represent the risk the CFW in its entirety can potentially face. It is critical to the CFW that its program be successful. By targeting impacted ZIP codes, the risk factors will be reduced and the risk factor in impacted neighborhoods can be reduced.

### DATA ANALYSIS

Data from sources including, HUD data sources and methodology, the Federal Reserve Board, Foreclosures Listing Services Inc., the Local Initiative Support Corporation ("LISC") and the CFW's ZIP codes were used to determine the areas of greatest need.

The data collected through Foreclosures Listing Services Inc., identified the total number of single-family households that were actual *lender-foreclosures* in the CFW. During the time period of September 2007 through September 2008, there were a total of 3,780 *lender-foreclosures*. This number does not include lender-foreclosures on mobile homes, condominiums, townhomes, multi-family, duplex, triplex, and quadplexes like it did in the data provided by the RealtyTrac® analyzes.

In the selected NSP target ZIP Code Areas, the total number of single-family households impacted by lender-foreclosures at the end of September is 1,841. This means that through the proposed NSP Target ZIP Code Areas, the program will address target areas that contain 49% of the City's foreclosures during that period. **Table 1** supports the need to focus on the neighborhoods located in ZIP codes 76123, 76133, 76112, and the neighborhoods located in the city limits of Fort Worth in ZIP codes 76179, 76131, 76137 and 76248.

**TABLE 1**

Single Family Foreclosures Sept 2007-Sept 2008					
CFW ZIP Codes	Total Number of Single Family Foreclosures	Total Number of Single Family Households	Percent Single Family Foreclosures	Square Mile Per ZIP Code	Foreclosures per Square Mile
76248*	341	14,375	2.37%	14.61619312	23.33028834
76112	299	9,764	3.06%	10.60220787	28.20167305
76179*	282	7,645	3.21%	19.03800444	14.81247685
76123	282	8,781	3.69%	9.4950361	29.6997291
76133	248	14,312	1.73%	9.277210417	26.73217367
76137*	200	11,930	1.68%	11.31618009	17.67380852
76131*	189	5,053	3.74%	14.143197	13.36331524
76119	173	7,753	2.23%	13.75003412	12.58178696
76140	151	2,518	6.00%	11.21373658	13.46562753

\*These ZIP codes include multiple jurisdictions. Only the foreclosed homes located within the City Limits of Fort Worth will be eligible for the program. Other jurisdictions' foreclosures were not included in the data used to determine the above analysis. This is a partial listing of the data results. To view all the foreclosure data in TABLE 1, please refer to EXHIBIT B.

It was important to do an analysis of the data that identified the percentage of foreclosures and the density impact for each ZIP code. The information resulting from **TABLE 1** under the *Percent Single Family Foreclosures* column demonstrates that the percentage of foreclosures for the proposed NSP program is not necessarily the highest percentage in each ZIP code. This was due to the number of single family households per ZIP code in the *Total Number of Single Family Household* column—percentages for the proposed NSP ZIP codes appear less in comparison to ZIP codes not selected for the NSP program. However, when we looked at the density of each zip code and divided the number of foreclosures per ZIP code, we were able to find that the proposed NSP ZIP Code Target Areas generally had the highest number of foreclosures per square mile.

For example:

Although zip code 76137 ranked the lowest in the proposed NSP ZIP Code Target Areas with 1.68%, ZIP code 76137 ranked fourth with 17.67380852 in the *Foreclosures Per Square Mile* comparison. This means that for every square mile, approximately 17.5 homes were foreclosed on, within the 76137 ZIP code. In contrast, if we examine ZIP code 76140 which is not one of the selected NSP ZIP Code Target Areas: 76140 ranked high with 6.00% in the *Percent Single Family Foreclosure* comparison but, ZIP code 76140 ranked considerably lower, 13.46562753 in the *Foreclosures Per Square Mile* comparison. This means that for every square mile, approximately 13.5 homes were foreclosed on within the 76140 ZIP code. Consequently, the number of foreclosed homes per square mile in each ZIP code offers a more targeted view of the concentration of foreclosures, which outline the CFW's NSP ZIP Code Target Areas.

## MARKET INDICATORS

There are a number of trends in the credit and real estate markets that indicate a continued rise in the rate of foreclosures. Lending institutions are tightening credit, which is impacting the resale of foreclosed homes. New and existing home sales are down, impacting the construction and real estate industries and those that work in them.

The number of homeowners seeking foreclosure mitigation counseling is increasing. The following provides a brief discussion of information and factors that measure the likelihood of a significant rise in the rate of home foreclosures if the problem is not addressed.

The data collected through the Local Initiative Support Corporation (LISC) offers further support for the CFW's proposed NSP ZIP Code Target Areas. LISC researchers calculated a foreclosure needs score for most US ZIP Codes that is relative to the needs of each ZIP code. LISC's treatment of the variables used to determine the neediest ZIP codes are similar to HUD's method for calculating relative need. Most important was LISC's method of weighting the percentage of foreclosures, subprime loans, and delinquencies by the actual counts of these same factors. This ensures that very small places with high percentages of foreclosures do not receive very large amounts of funding, in total disregard of the number of units involved.

The neediest ZIP code in each state received a score of 100 while a score of 50 indicated that the ZIP code was estimated to be one-half as needy as the worst-off ZIP code. The data below provides a score for each ZIP code in the CFW based on the data collected for the state of Texas. (The data for the CFW generally fell below the 30% mark which demonstrates that Fort Worth is ranked approximately 30<sup>th</sup> as needy as the worst-off ZIP code in the state of Texas.) Please note that the ZIP codes located in the City limits of Fort Worth whose boundaries included other jurisdictions may not be included in this list. Refer to **TABLE 2** or **EXHIBIT C** for additional information.

### **Foreclosure Needs Score**

LISC defines the *Intrastate Foreclosure Needs Score* as the foreclosure need for each ZIP code. Of the thirteen (13) highest ranked by LISC as the "neediest" ZIP code, seven (7) of the CFW's selected NSP Target ZIP Codes fall in the category of "neediest", ranking between 14.7 percent to 33.0 percent.

### **Vacancy Rate to State Rate**

The *Ratio of Local Vacancy Rate to State Rate* is calculated by dividing the local (City of Fort Worth) vacancy rate in high subprime ZIP code by the state (Texas) vacancy rate in high subprime ZIP code. The data will not be available if the ZIP code does not have a high subprime rate. In the case of the CFW's selected NSP Target ZIP Codes, ZIP code 76112 was ranked at a rate of 1.75. With the exception of 76112, the other selected ZIP codes were not given a ranking because they did not have a high subprime rate in comparison to other jurisdictions in the state of Texas.

**TABLE 2**

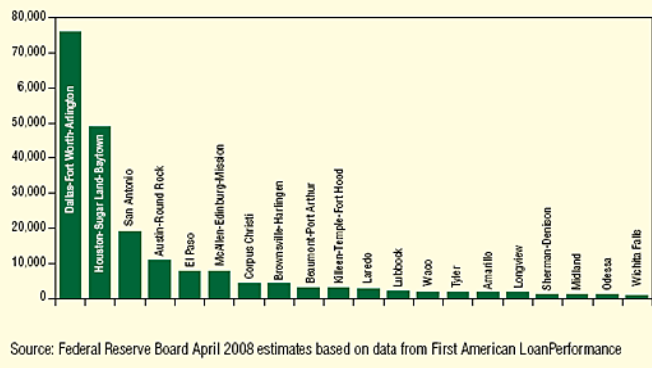
<b>Foreclosure Needs Scores within States by ZIP Code -- November 4, 2008</b>						
<i>Source: Analysis by the Local Initiative Support Corporation provided by the Foreclosure Response project</i>						
<i>For definitions and detailed documentation, see <a href="http://www.housingpolicy.org/assets/foreclosure-response/zipmethodology.pdf">http://www.housingpolicy.org/assets/foreclosure-response/zipmethodology.pdf</a></i>						
<b>ZIP Code</b>	<b>Preferred Place Name for the ZIP Code</b>	<b>Intrastate Foreclosure Needs Score</b>	<b>Ratio of Local Vacancy Rate to State Rate</b>	<b>Intrastate Subprime Component Score</b>	<b>Intrastate Foreclosure Component Score</b>	<b>Intrastate Delinquency Component Score</b>
<b>STATE of TEXAS</b>						
76119	FORT WORTH	37.3	1.89	29.9	28.1	29.6
76112	FORT WORTH	33.0	1.75	22.0	49.0	22.7
76140	FORT WORTH	30.6	1.00	22.8	32.6	28.6
76179	FORT WORTH	24.6		14.3	33.9	29.5
76123	FORT WORTH	22.5		13.3	33.2	26.0
76134	FORT WORTH	21.6	0.95	17.4	18.0	22.5
76133	FORT WORTH	20.9		16.0	21.6	23.8
76106	FORT WORTH	20.9	1.62	22.7	12.0	12.2
76137	FORT WORTH	19.4		11.2	33.3	21.2
76108	FORT WORTH	18.3		14.7	25.2	18.1
76131	FORT WORTH	15.0		8.8	21.2	17.8
76148	FORT WORTH	14.9		11.5	19.5	15.6
76248	KELLER	14.7		8.1	25.8	16.4
76114	FORT WORTH	13.5	1.93	13.7	5.0	9.6
76104	FORT WORTH	13.4	3.32	10.6	7.6	11.6

\*This is a partial listing of the data results. To view the all foreclosure data in TABLE 2, please refer to EXHIBIT C.

### **Subprime Component Score**

The *Intrastate Subprime Component Score* refers to the percentage of subprime loans. Subprime loans are those that a servicer has coded specifically as subprime and if not already coded, loans made to borrowers with FICO scores below 620 who did not receive a government, Fannie Mae or Freddie Mac loan. In the CFW's NSP Target ZIP codes, 8.1 percent to 22.0 percent of all loans are subprime loans. This means that subprime mortgage loans are prevalent and generally high in the NSP Target ZIP codes. According to the Federal Reserve, subprime mortgages are typically made to borrowers with blemished credit history or who provide only limited documentation of their income or assets. As such, these loans carry more risk and a predictably higher rate of default. April 2008 statistics published by the Federal Reserve show, Dallas/Fort Worth Arlington was one of two metropolitan areas with a much larger number of problematic loans compared with other metropolitan areas in Texas.

Figure 1. Securitized, Owner-Occupied Subprime Loans of 20 Texas Metros



In the City of Fort Worth, the percentage of conventional mortgages made by subprime lenders has increased steadily since 2000. According to Knowledgeplex’ DataPlace, subprime lending in Fort Worth communities increased from 13.9% to 21.7% in 2004.

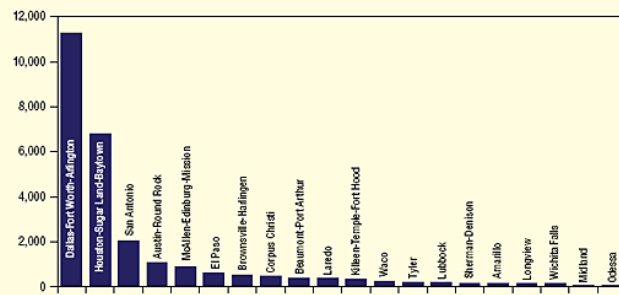
### Foreclosure Component Score

The *Intrastate Foreclosure Component Score* identifies the percentage of foreclosures for each ZIP code. Foreclosure loans include loans in foreclosure and bankruptcy foreclosures prior to auction or trustee sale. This score is not the same as the *Intrastate Foreclosure Needs Score* because that score incorporates subprime, foreclosure, delinquency and vacancy rates and this score only takes foreclosures into account. In the CFW’s selected NSP Target ZIP Codes, seven (7) of the selected ZIP codes ranked between 22.6 percent and 49.0 percent of foreclosures—49.0 percent was the highest percent of foreclosures in the City of Fort Worth. The NSP Target Zip Codes demonstrate the highest impact of the percentage of foreclosures.

### Delinquency Component Score

According to LISC, the *Intrastate Delinquency Component Score* refers to all delinquent loans. This includes all loans that are at least 30 days delinquent and have not yet entered into judicial (a lis pen dens filing) or non-judicial foreclosure. The selected target ZIP codes for the City of Fort Worth’s NSP program, ranged between 16.4 percent and 29.5 percent of loans being delinquent. **FIGURE 2** shows the number of securitized, owner-occupied subprime mortgages that were 90 days past due, in process of foreclosure or were real estate-owned properties in Texas metropolitan areas in the April 2008 Loan Performance report. The percentage of seriously delinquent subprime mortgages was 16 percent in Dallas–Fort Worth–Arlington.

Figure 2. **Serious Delinquencies and REOs of Securitized Subprime Loans in Texas Metros**



Source: Federal Reserve Board April 2008 estimates based on data from First American LoanPerformance

Further adding to potential future rises in foreclosures, variable-rate loans' share of all securitized, owner-occupied subprime mortgages in Dallas–Fort Worth–Arlington was higher than the state average (52 percent versus 46 percent).

The data sources reviewed by the CFW showed similar patterns. The data supports targeting the CFW's selection of the NSP Target ZIP Codes. As such, the CFW has determined that the areas of greatest need are located within the following ZIP codes, 76123, 76133, 76112, \*76179, \*76131, \*76137, and \*76248. See **EXHIBIT D** to view the NSP *Target ZIP Code maps* for additional information.

\*These ZIP codes include multiple jurisdictions. Only the foreclosed homes located within the City Limits of Fort Worth will be eligible for the program. Other jurisdictions' foreclosures were not included in the data used to determine the above analysis

### PROPOSED DOWN PAYMENT ASSISTANCE PROGRAM

A program that would assist in the purchase of a home has been deemed crucial to address the foreclosure predicament in the CFW. The City took a number of factors into consideration (in its determination to utilize NSP funding for) down payment assistance. Trends in the credit and real estate markets that indicate a continued and potential rise in the rate of foreclosures:

- Lending institutions are tightening credit, impacting the resale of foreclosed homes.
- New and existing home sales are down, impacting the construction and real estate industries and those that work in them, and;
- The number of homeowners seeking foreclosure mitigation counseling is increasing.

Impact of foreclosures on housing choices:

- Homeowner households impacted by foreclosure action are increasing the number of renter households today and into the future. As more displaced former homeowners enter the rental market, additional pressure is put on

\_\_\_\_\_ who are competing for an already scarce number of quality, affordable, accessible units.

- RealtyTrac® data indicates that a large number of foreclosed homes are being acquired by investors taking advantage of lower auction prices. Gains made in the rate of homeownership over the past eight years have deteriorated.

Effective Use of Market Systems:

By utilizing market partners, including real estate brokers, mortgage brokers, and conventional lenders, the City anticipates optimal expedited deployment of NSP funds. By quickly moving the inventory of lower-priced foreclosed homes, the City hopes to assist the return of normal market forces in the real estate industry.

## ***B. DISTRIBUTION AND USES OF FUNDS***

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. *Note:* The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response: The City of Fort Worth ("CFW") proposes to provide a down payment assistance program that will offer eligible buyers the opportunity to purchase lender-foreclosed properties. The CFW will set aside no less than twenty percent (25%) of the NSP funds to address the needs of persons at or below fifty percent (50%) of area median income. This will meet HUD's requirement to serve populations that are  $\leq 50$  percent of area median income.

Under the Housing and Economic Recovery Act ("HERA") Section 2301(c)(3), there are six eligible activities to address the community's greatest needs:

1. Financing Mechanisms – According to HERA Section 2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low-and-moderate income homebuyers.
2. Purchase and Rehabilitation of Abandoned or Foreclosed Homes – According to HERA Section 2301(c)(3)(B) to 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.
  - a. Acquisition, rehabilitation, and resale to first time homebuyers
  - b. Acquisition, rehabilitation, and rental properties:
    - i. Lease-Purchase Agreements
    - ii. Rent to income eligible families as affordable rental units
3. Land Banks – According to HERA Section 2301(c) (3)(C) establish land banks for homes that have been foreclosed upon.
  - a. May not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements.
  - b. The actual service area benefiting from a land bank must be determined by the grantee.
4. Demolish Blighted Structures – According to HERA Section 2301(c) (3)(D) and may be eligible under 24 CFR 570.201(d) regarding clearance of blighted structures only.

5. Redevelop Demolished or Vacant Properties – According to HERA Section 2301(c) (3)(E) the redevelopment of demolished or vacant properties. Cost may include: (a) acquisition, (b) disposition, (c) public facilities and improvements, (e) public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) relocation, and (n) direct homeownership assistance.
  - a. New construction of housing and building infrastructure for housing is an eligible use.
  - b. May include the redevelopment of property to be used as affordable rental housing.
  - c. Grantees are strongly encouraged to acquire and redevelop FHA foreclosed properties.
  
6. Administration and Planning Costs – According to HERA Section 2301(c) (3) uses of administration and planning costs may include:
  - a. An amount up to 10% of NSP funds may be used for general administration and planning activities (total of state and local administration) as defined at 24 CFR 570.205 and 206.
    - i. The Department for Local Government reserves the right to negotiate administrative costs with an entity that receives NSP funds.
    - ii. Entities are eligible for NSP funds towards administration OR a developer’s fee associated with a project.
  - b. Activity delivery costs, as defined in 24 CFR 570.206 may be charged to the particular activity performed above and will not count as general administration and planning costs.
  - c. The state 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).

HUD has established these and other regulations and restrictions regarding the listed activities. All eligible activities are subject to change and interpretation based upon HUD’s approval of the Action Plan, and/or changes that have been issued by HUD regarding the NSP Notice as found on HUD’s website for NSP guidance: <http://www.hud.gov/nsp>.

### **Down Payment Assistance Program (DPAP)**

Under the HERA, Section 2301(c)(3)(1) the CFW will establish financing mechanism for the purchase and redevelopment of foreclosed homes and residential properties for low-and-moderate income homebuyers through its proposed NSP Down Payment Assistance Program (DPAP).

DPAP will be administered much like the CFW’s current and successful Homebuyer Assistance Program (HAP). That is, the City will accept applications from any of its

approved lender partners upon the lender's commitment of funds to the applicant. The City will verify eligibility of the applicant and the property. The City will conduct an inspection of the property prior to funding its commitment of NSP DPAP funds. The City will disburse NSP funds to the title company for simultaneous closing and funding of the home purchase loan. Affordability of the project will be ensured through covenants in the Deed of Trust. Guidelines for the program can be found in **Section G**.

Through the DPAP, the CFW anticipates that at least 222 homes will remain owner-occupied to assist with the stabilization of neighborhoods. At least twenty-five percent (25%) of loans will be made to households earning less than fifty percent (50%) of the Area Median Income.

### **Marketing DPAP**

A number of resources and methods will be used to inform the public and potential homebuyers of the CFW's Down Payment Assistance Program. Brochures and fliers, both in English and Spanish will be distributed at community events and in other public areas. The City will partner with organizations such as the Greater Fort Worth Association of Realtors, Inc. and National Association of Real Estate Brokers Fort Worth Chapter, employment centers, lenders, and housing counseling agencies which will be in the forefront of disseminating information about the DPAP. In addition, media resources such as the newspaper, City Page, City Cable and internet will be utilized for the marketing of this program.

### **Fair Housing**

HERA [section 2301(c)(2)] requires that the CFW "give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need" when distributing NSP funds. The statute goes on to define factors that must be considered when determining "greatest need" to include those with the greatest percentage of home foreclosures, the highest percentage of homes financed with subprime mortgage related loans, and likely to face a significant rise in the rate of foreclosures. Racial or ethnic composition of the neighborhood is not identified as either a required or optional factor to be considered. However, CDBG requirements related to fair housing, nondiscrimination, labor standards and the environment, will be met in the NSP program.

### **General Administration**

Per HUD guidelines, the City of Fort Worth ("CFW") may use up to ten percent (10%) or \$630,743 of the overall funds for general administrative costs. The CFW will use the NSP funds for costs to administer the program, training, monitoring and implementation of components.

**Monitoring**

The CFW will meet all HUD requirements for the reporting on each NSP participant and will make sure to exercise oversight for compliance with the requirements for the prevention of fraud, waste, and abuse of funds. The CFW shall use systems in-place about the existing CDBG Program monitoring policies and procedures to ensure compliance with federal guidelines.

**Proposed Use of Funds**

NSP funds will be used accordingly to meet the requirements required by the NSP statute.

<b>BUDGET INFORMATION</b>					
<b>Eligible Uses</b>	<b>Allocation</b>		<b>Per Unit Estimate</b>	<b>Estimated Housing Units</b>	<b>Allocation as %</b>
<b>City of Fort Worth NSP</b>	<b>\$6,307,433</b>				<b>100%</b>
<b>Financing Mechanisms</b>					
- Down Payment Assistance	\$4,091,680	\$4,000,000	\$25,000	160	65%
Unit Appraisals & Lead Testing Program Delivery		\$91,680	\$573	160	
- Down Payment Assistance 25% of Total Allocation to 50% of area median	\$1,584,953	\$1,550,000	\$25,000	62	25%
Unit Appraisals & Lead Testing Program Delivery		\$34,953	\$573	61	
<b>NSP Administration</b>					
- Admin	\$630,743	\$630,743		222	10%
<b>Totals:</b>		<b>\$6,307,376</b>		<b>222</b>	<b>100%</b>

**C. DEFINITIONS AND DESCRIPTIONS**

(1) Definition of “blighted structure” in context of state or local law.

Response: Blighted structures for the purposes of the NSP is defined as a structure that has been declared a public nuisance in accordance with local, building, plumbing, fire, and other code; is an unattractive nuisance because of physical condition or use; is a fire

hazard or is otherwise a danger; has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for one year or more; is tax reverted property; has code violation that house poses a threat to endangered the life, health, and safety of the public and has not been substantially rehabilitated within one year after being ordered to do so by the appropriate code enforcement agency.

(2) Definition of “affordable rents.” **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response: As stated in the NSP Notice, the City of Fort Worth will to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of Section 2301(f)(3)(A)(ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

In the case of units serving households at or below 120% of area median income “affordable” means rents that do not exceed 30% of 120% of area median income or the applicable targeted income range.

The City of Fort Worth will continue to work to be diligent and ensure that the definitions of affordability are consistent with all NSP requirements and provide the maximum flexibility to effectively serve the intended households in light of local housing market conditions.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response: HUD requires that the City of Fort Worth (“CFW”) ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI). For units that were originally assisted in the Low Income Targeting Set-aside to meet the fifty percent (50%) AMI, HUD requires that these units must remain affordable to individuals or families whose incomes do not exceed fifty percent (50%) of AMI for the duration of the period of affordability.

In the case of the CFW, the Down Payment Assistance Program (“DPAP”) will place a restrictive covenant in the deed of trust that will establish a maximum affordability period of ten (10) years. Sale, assignment, transfer or rental of property during the affordability period will result in immediate repayment of the outstanding DPAP amount. During the first five (5) years of the affordability period, the entire loan amount is repayable to the City. During the last five (5) years of the affordability period the DPAP amount will be forgiven at a rate of 1/60<sup>th</sup> per month.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response: NSP-funded housing rehabilitation must bring substandard housing units into compliance with the City of Fort Worth, Housing and Economic Development Department's, Minimal Acceptable Standards which are used to as a benchmark for HOME assisted property's and/or residential dwellings utilizing grant funds.

Housing units will meet all local housing codes and occupancy standards for the Down Payment Assistance Program (DPAP). At a minimum, the CFW's Minimum Acceptable Standards will apply. See **EXHIBIT E**. Eligible properties will meet HUD's Lead Safe Housing Rule (LSHR) and rehabilitation to all units built prior to 1978 must follow prescribed rehabilitation practices and pass final clearance before re-occupancy of the unit. This may include but is not limited to curing defective paint in the proper manner and in some cases testing and clearance to include proper notice to the public. Participants of the DPAP will be strongly encouraged to incorporate universal design, green building, energy-efficiency improvements, and handicapped accessibility features in units where feasible.

**Comment [km1]:** Was the remediation requirement maintained in these regs or just the requirement to provide a "Lead Hazard Notice" to purchasers of homes built prior to 1978?

**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.

Response: The City of Fort Worth (“CFW”) will make available \*twenty-five percent (25%) or approximately \$1,584,953 to be used for housing individuals and families whose income does not exceed fifty percent (50%) of area median income.

**Comment [km2]:** Is the requirement for <50% AMI twenty-five percent of the FUNDS or twenty-five percent of the UNITS?

The 2008 income guidelines for the CFW’s NSP program will be as follows:

Income Guidelines for the Program			
Household Size	Maximum Household Income	Household Size	Maximum Household Income
1	\$54,250	5	\$83,700
2	\$62,000	6	\$89,900
3	\$69,750	7	\$96,100
4	\$77,500	8	\$102,350

*\*NSP requires that 25% of the allocation be used for eligible housing activities that benefit households at or below 50% of area median income. For additional information on HUD’s Income Guidelines, visit [http://huduser.org/datasets/Section 8Limits\\_50\\_120.xls](http://huduser.org/datasets/Section 8Limits_50_120.xls).*

**E. ACQUISITIONS & RELOCATION**

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income).

Response: Not proposed at this time.

***F. PUBLIC COMMENT***

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Response: HUD has provided alternative requirements and is waiving to the extent necessary to allow the City of Fort Worth (“CFW”) to provide no fewer than 15 calendar days for citizen comment, rather than 30 days. The CFW posted its Substantial Amendment to the Annual Plan Update on its official website. The CFW provided a minimum comment period of 15 days from November 15, 2008 to November 30, 2008 and no comments were received as a result of this notice for comments on the Substantial Amendment after publishing it on the City’s official website, refer to **EXHIBIT F**. See **EXHIBIT G** for a copy of the public comment notice.

Although a public hearing is not required for the NSP Amended Plan, the CFW held a public hearing in conjunction with the City Council meeting on November 11, 2008. Approval for the plan was obtained at the same meeting.

\*\*\*\*\*

NEIGHBORHOOD STABILIZATION PROGRAM  
CITY OF FORT WORTH, TEXAS

SUMMARY OF PUBLIC COMMENTS

The following is a list of citizens and/or persons who made a comment about NSP at the City of Fort Worth’s Community Development Commission (CDC) meeting of November 7, 2008. The following is a summary of the comments:

Carlos Saenz, Board Member

There was no opposition, made a comment that he would have liked to have leveraged housing for homeless with the NSP grant.

\*\*\*\*\*

The following is a list of citizens and/or persons from the general public who signed speaker cards at City Council meeting of November 11, 2008 public hearing for the NSP. The following is a summary of the comments:

In Support

The following persons signed cards of support that were read by the Mayor:

Andre McEwen, Executive Director of Southeast Fort Worth Inc.  
Sherley Spears, Sherley Spears Real Estate Group, 2120 Mistletoe Blvd. Suite #1  
Terry Attaway, Fort Worth Realtor Association

Against

The following person spoke in opposition of the proposed City of Fort Worth NSP Program:

Robert Blake, 500 Throckmorton Street

Mr. Blake stated he acquires and rehabs homes in Fort Worth. He would like NSP money be made available to acquire and make major repairs by investors to purchase foreclosed homes for resale.

\*\*\*\*\*

The following is an e-mail to Jerome C. Walker, Deputy Director, in support of the NSP on November 13, 2008:

Mr. Walker,

Congrats on getting the city to approve a program to help sell these vacant homes in our beautiful city. I'm praying that HUD will approve this program and we can work on helping our residents purchase these vacant properties.

This is fantastic news! This will improve the development of our wonderful city. I would like to be a major part in helping implement this program. I'm ready and willing to offer my services to aid in getting more people to homeownership.

I would appreciate any updates on the approval from HUD. Thank you and may God bless you!

Debbie Meyer, Realtor  
Keller Williams Realty DFW  
cell-817-247-4990  
fax-817-251-1522

**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

- (1) Activity Name: NSP Down Payment Assistance Program (DPAP)
- (2) Activity Type: Direct Homeownership Assistance
- (3) National Objective: Low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income
- (4) Activity Description: The program would provide \$25,000 for closing costs, down payment assistance and minor repairs when purchasing lender-foreclosed properties in targeted ZIP codes.
- (5) Location Description: The program targeted ZIP codes are 76179, 76131, 76248, 76137, 76112, 76133 and 76123. Properties must be located within the City limits of Fort Worth.
- (6) Performance Measures: Approximately 222 housing units of which 25% will be 50% of area median for a total of approximately 62 housing units
- (7) Total Budget:

BUDGET INFORMATION					
Eligible Uses	Allocation		Per Unit Estimate	Estimated Housing Units	Allocation as %
<b>City of Fort Worth NSP</b>	<b>\$6,307,433</b>				<b>100%</b>
<b>Financing Mechanisms</b>					
- Down Payment Assistance	\$4,091,680	\$4,000,000	\$25,000	160	65%
Unit Appraisals & Lead Testing Program Delivery		\$91,680	\$573	160	
- Down Payment Assistance 25% of Total Allocation to 50% of area median	\$1,584,953	\$1,550,000	\$25,000	62	25%
Unit Appraisals & Lead Testing Program Delivery		\$34,953	\$573	61	
<b>NSP Administration</b>					
- Admin	\$630,743	\$630,743		222	10%
<b>Totals:</b>		<b>\$6,307,376</b>		<b>222</b>	<b>100%</b>

(8) Responsible Organization:

City of Fort Worth, Housing & Economic Development Department  
Housing Services & Information Division  
Administrator Contact: Karen Meunier, Program Manager  
1000 Throckmorton Street  
Fort Worth, TX 76102

(9) Projected Start Date: within twenty-one (21) days of an executed grant agreement

(10) Projected End Date: eighteen (18) months from executed grant agreement

(11) Specific Activity Requirements:

City of Fort Worth Neighborhood Stabilization Program DOWN PAYMENT ASSISTANCE PROGRAM (DPAP) Terms	
Eligible Uses	<ul style="list-style-type: none"><li>- Closing Costs</li><li>- Down Payment Assistance</li><li>- Minor Repairs</li></ul>
Eligible Borrowers	<ul style="list-style-type: none"><li>- Borrower must have a firm loan commitment from a DPAP-eligible primary lender.</li><li>- Property must be Borrowers primary residence.</li><li>- Simultaneous closings require copy of purchase contract and firm loan commitment contingent on sale of current owners' subject property at time of DPAP application.</li></ul>
Eligible Household Income	NTE 120% AMI adjusted for family size
Eligible Properties	<ul style="list-style-type: none"><li>- Located in City of Fort Worth</li><li>- Located in program-eligible ZIP codes</li><li>- Regulated mortgage lender REO foreclosed properties with Substitute Deed of Trust dated more than 90 days from application and less than 2 years prior to estimated final closing.</li><li>- 1-2 unit properties, including condominiums and townhomes</li></ul>
Eligible Lenders	Approved lenders participating in the City's Housing Assistance Program (HAP)
Maximum Purchase Price	\$225,000
Loan Proceeds	No cash to borrower at closing.
Loan Closings	Closings must take place at title agency location.
Maximum Housing & Debt Ratio	Maximum housing ratio: 30% Maximum combined ratio: 41%; 43% for FHA-insured loans
Title	Primary lender must provide copy of preliminary title and evidence of Substitute Deed of Trust

Escrows	Primary lender must establish and maintain real estate, hazard insurance, and flood insurance impound accounts for primary-position loan
Appraisal	The City of Fort Worth will provide a property appraisal that will determine the discount of each property prior to committing NSP assistance 60-days prior to purchase
Borrower Minimum Contribution	Borrower <u>must</u> pay at least 50% of the down payment fees for the lender's product they are applying for, i.e. borrower will pay \$1,500 on a \$3,000 down payment <i>Note: The borrower will only pay 50% on the fee that applies to the down payment cost and does not apply to any other fees</i>
Acceptable (DPAP) Lien Position	2 <sup>nd</sup> position
Affordability Period	– A restrictive covenant in the deed of trust will establish a minimum affordability period of five (5) years for a loan in less than or equal to \$14,999 or ten (10) years for a loan equal to or greater than \$15,000 but not to exceed \$25,000. Sale, assignment, transfer or rental of property during the affordability period will result in immediate repayment of the remaining DPAP amount. After year five (5) of the affordability period the loan will self amortize at a rate of 1/60 <sup>th</sup> per month.
Maximum (DPAP) Loan	– Fees paid to primary lender fees NTE 2.5% of purchase price – DPAP Closing costs NTE \$5,000 – Property repair costs NTE \$5,000 Balance of DPAP may be used to reduce principal of primary loan.
Deferred DPAP Loan Term	Fixed Term ≥ \$15,000 – Requires a ten (10) year affordability period ≤ \$14,999 – Requires a five (5) year affordability period
Deferred DPAP Loan Term	0%
Combined Housing & Debt Ratio	NTE 41% Adjusted Gross Income; 43% for FHA-insured loans
Housing Counseling	Eight (8) hour homeownership training workshop provided by a HUD-approved housing counseling agency is required.
Property Standards	City of Fort Worth Minimum Property Standards
Repairs	All repairs must be completed prior to funding of loan; primary lender to provide copies of lien waivers for contracted work under the DPAP program.
Housing Standards Inspection	Inspection by City's Housing & Economic Development Department required

**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

(1) Activity Name: Administration Support

(2) Activity Type: NSP allows 10% of initial allocation, and 10% of program income, to be used for general administration and planning activities (Federal Register, Vol. 73, No. 194, II. H.) CDBG – 24 CFR 570.205 and 24 CFR 570.206

(3) National Objective: To administer activities that benefit low and moderate income persons under 24 CFR 570.208(a)(2) and potentially under 24 CFR 570.208(a)(1) (up to 120% of MFI permitted under NSP)

(4) Activity Description: The program would provide \$25,000 for closing costs, down payment assistance and minor repairs when purchasing lender-foreclosed properties in targeted ZIP codes.

(5) Location Description: The program targeted ZIP codes are 76179, 76131, 76248, 76137, 76112, 76133 and 76123. Properties must be located within the City limits of Fort Worth.

(6) Performance Measures: Approximately 222 housing units of which 25% or approximately 62 units will be 50% or less of area median income

(7) Total Budget: No more than \$630,743 will be allocated to use over the program period for Administration costs. Administration Support funds may be re-assigned to the down payment assistance activity and such re-assignment shall not be considered a Substantial Amendment to the Action Plan.

BUDGET INFORMATION					
Eligible Uses	Allocation		Per Unit Estimate	Estimated Housing Units	Allocation as %
<b>City of Fort Worth NSP</b>	<b>\$6,307,433</b>				<b>100%</b>
<b>Financing Mechanisms</b>					
- Down Payment Assistance	\$4,091,680	\$4,000,000	\$25,000	160	65%
Unit Appraisals & Lead Testing Program Delivery		\$91,680	\$573	160	
- Down Payment Assistance 25% of Total Allocation to 50% of area median	\$1,584,953	\$1,550,000	\$25,000	62	25%

Unit Appraisals & Lead Testing Program Delivery		\$34,953	\$573	61	
<b>NSP Administration</b>					
- Admin	\$630,743	\$630,743		222	10%
<b>Totals:</b>		<b>\$6,307,376</b>		<b>222</b>	<b>100%</b>

<b>NSP ADMINISTRATION</b> Administrative Support	
Objective Class Category	Activity
	Administrative
Personnel	\$329,531
Fringe Benefits	\$99,249
Travel	\$9,000
Supplies	\$9,000
Contractual	\$99,669
Other	\$32,672
Total Direct Charges	\$579,088
Indirect Charges	\$51,625
<b>TOTAL</b>	<b>\$630,743</b>

(8) Responsible Organization:

City of Fort Worth, Housing & Economic Development Department  
Housing Services & Information Division  
Administrator Contact: Karen Meunier, Program Manager  
1000 Throckmorton Street  
Fort Worth, TX 76102

(9) Projected Start Date: within twenty-one (21) days of an executed grant agreement

(10) Projected End Date: eighteen (18) months from executed grant agreement

(11) Specific Activity Requirements: The Down Payment Assistance Program meets specific activity requirements of NSP.

**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

(1) Activity Name: NSP Program Delivery - Unit Appraisals & Lead Testing

(2) Activity Type: The City of Fort Worth will provide a property appraisal that to determine the discount of each property prior to committing NSP assistance. The appraisal will take place 60-days prior to purchase. Appraisals will be funded through the NSP. In addition, property's that are eligible and built prior to 1978 will be required to pass a final clearance before re-occupancy of the unit.

(3) National Objective: To administer activities that benefit low and moderate income persons under 24 CFR 570.208(a)(2) and potentially under 24 CFR 570.208(a)(1) (up to 120% of MFI permitted under NSP)

(4) Activity Description: The program will provide funding per applicant for property appraisal costs and lead testing for anyone who applies for the DPAP to purchase lender-foreclosed properties in the targeted ZIP codes.

(5) Location Description: The program targeted ZIP codes are 76179, 76131, 76248, 76137, 76112, 76133 and 76123. Properties must be located within the City limits of Fort Worth.

(6) Performance Measures: 222 housing units of which 25% or 62 units will be 50% or less of area median income

(7) Total Budget: Approximately \$127,206 will be used over the program period for NSP Program Delivery in the form of unit appraisals and lead testing. [Formula: \$573 X 222 units = \$127,206] The cost for an appraisal will be on average \$500 per unit for a total of \$111,000. [Formula: \$500 x 222 units = \$111,000] The remaining \$16,206 will be used for lead testing for property's built prior to 1978. NSP Program Delivery funds may be re-assigned to the down payment assistance activity and such re-assignment shall not be considered a Substantial Amendment to the Action Plan.

BUDGET INFORMATION					
Eligible Uses	Allocation		Per Unit Estimate	Estimated Housing Units	Allocation as %
City of Fort Worth NSP	\$6,307,433				100%
<b>Financing Mechanisms</b>					
- Down Payment Assistance	\$4,091,680	\$4,000,000	\$25,000	160	65%

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(10) Projected End Date: eighteen (18) months from executed grant agreement

(11) Specific Activity Requirements: The Down Payment Assistance Program meets specific activity requirements of NSP.

## **NSP CERTIFICATIONS**

- (1) **Affirmatively further fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

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

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

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

\_\_\_\_\_  
Signature/Authorized Official

January 5, 2009  
Date

Dale A. Fisseler, P.E., City Manager  
Title