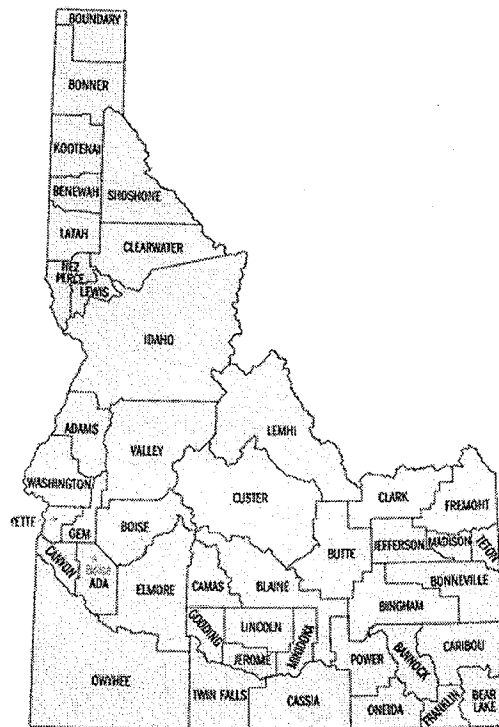


APPLICATION
(Application # 112809533)

NEIGHBORHOOD STABILIZATION PROGRAM 2

AMERICAN RECOVERY & REINVESTMENT ACT 2009



IDAHO

SUBMITTED BY:

IDAHO HOUSING & FINANCE ASSOCIATION

JULY 17, 2009

APPLICATION OVERVIEW

Eligibility: Idaho Housing & Finance Association is an eligible applicant for NSP2 funding as a quasi-governmental housing and finance agency created under state enabling legislation in 1972. IHFA is the state PJ (Participating Jurisdiction) for the State of Idaho's HOME Program and is the sole administrator of NSP1 funding for the entire state of Idaho.

Funding Request: IHFA is requesting **\$10 million** in NSP2 funding. This funding level will meet, and likely surpass, HUD's requirement to return 100 abandoned or foreclosed homes back to productive use.

Eligible Uses: IHFA will carry out the following eligible activities as provided for under NSP2 Program Guidance. The following chart outlines the eligible NSP uses IHFA will undertake in relation to the corresponding CDBG eligible activities:

NSP ELIGIBLE USE	CDBG ELIGIBLE ACTIVITY
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second and shared-equity loans for low and moderate income homebuyers.	24 CFR 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (i) relocation, (n) direct homeownership assistance, 24 CFR 570.202 rehabilitation and preservation including housing counseling for those seeking to take part in the activity.

IHFA intends to use NSP2 funding for the purpose of providing direct homeownership assistance to low and moderate income homebuyers who are purchasing foreclosed homes.

Income Targeting/Benefit: All activities will meet the NSP designated income targeting LMMH levels. NSP activities will provide permanent residential structures that will be occupied by households whose income is at or below 120% of area median income. IHFA will target 25% of the funding for those households who are at or below 50% of area median income.

Citizen Participation: IHFA met all public participation requirements under the NOFA. IHFA made its NSP2 Application available for a 10-day public comment period beginning on July 6, 2009 and ending on July 15, 2009. The Application was made available to the public through posting on IHFA's website, www.ihfa.org. Legal notices were published in all major newspapers around the state inviting public comment. Copies were also made available through the public library system and IHFA's 4 branch offices around the State. A summary of the NSP2 application was also provided on IHFA's website to help aid in the public's understanding of the application.

The following public comments were received:

NARRATIVE STATEMENTS

Factor 1: Need/Extent of the Problem

A. Target Geography:

Please refer to Appendix 3 for the list of targeted census tracts and scores. IHFA has statewide jurisdiction in the administration of all its federal programs in Idaho, including NSP1. The intent for NSP2 is the same. IHFA applied a statewide approach in identifying qualified census tracts in using HUD's foreclosure needs mapping tool. 32 census tracts were identified and included in IHFA's submission. The overwhelming majority of the target areas were located in what is referred to as the Treasure Valley—Boise and surrounding cities within the valley that contain most of Idaho's population. The top 2 cities with census tracts containing the highest scores were Meridian (Ada County) and Nampa (Canyon County). It is anticipated that the majority of NSP2 activity will take place in these 2 counties.

In describing the nature and extent for neighborhood stabilization in our target geography, perhaps nothing simplifies it more than the headline from the Sunday Edition of The Idaho Statesman newspaper on June 28, 2009: "Meridian growth pinched by recession: Idaho's formerly fastest-growing city faces foreclosures, job losses, business failures and slower population growth". There is no doubt that all of these factors are intertwined in creating the foreclosure tide that has hit Idaho. Every day, Idahoans open their newspapers and see pages and pages of legal notices regarding foreclosures, occupying every bit of space on the page. One can't help but scan the addresses and hope that none are located in their own neighborhood. According to the Idaho Business Review in an article dated June 22, 2009 and citing data from RealtyTrac.com, "Idaho entered the top 10 states for foreclosures in November 2008 and has remained there ever since. Its rank has fluctuated between fifth and tenth. It is currently ranked ninth in the nation for foreclosures."

Although foreclosures in Idaho dropped significantly in May 2009 compared to April 2009, the Treasure Valley played no helpful role in that drop. Foreclosure filings in the Treasure Valley actually rose in May. It is no surprise then that 28 of the 32 census tracts identified in IHFA's application are located in the Treasure Valley area. Closely linked factors to this condition include home prices that continue to slide, despite increases in the number of sales, and the fact that Idaho's unemployment rate hit 7.8% in May bringing this rate up to the highest level seen in 22 years (source data—Idaho Department of Labor June 2009 newsletter).

B. Market Conditions and Demand Factor

(1) According to a website owned by Bridgetower Real Estate, an article posted in May 2009 suggests that there are a few signs that the real estate market is improving in the Boise and surrounding area. Among those are: 1.) A decrease in absorption rates; 2.) Home sales are up; and 3.) Interest rates remain low. According to a May posting by Stolfo Real Estate Company, the Ada County real estate market had a 12% increase in home sales when compared to March 2009 and that 44% of the Ada County home sales were foreclosure properties, which included short sales and bank-owned properties. Stolfo also confirmed a decrease in the absorption rate. However, we also know that there is an increase in foreclosure starts in the Treasure Valley, but across Idaho there has been a decrease in foreclosure starts. Also factoring into this entire equation is the fact that the Idaho job market has not stabilized as of yet. According to the Department of Labor, nearly 5,600 Idaho workers lost their jobs in May—which sent the unemployment rate to 7.8% as previously mentioned. And yet, IHFA continually sees record-setting levels of home loan activity and demand for down payment assistance. There seems to be a paradox at work here that is not likely to be explainable by this application.

What does this mean for Neighborhood Stabilization funding? It would appear that although foreclosure activity keeps adding to the real estate housing inventory, the increase in home sales as of late is enough to offset this and still result in a decrease in absorption rate. With funding from NSP2 and the significant amount of down payment that could be used on these homes making them particularly affordable when combined with low interest rates, IHFA's efforts could have a significant impact on stabilizing neighborhoods by increasing home sales further and stabilizing the number of homes sitting in foreclosure inventory. If we are able to act soon. According to an article in the Idaho Statesman on May 14, 2009, it was likely that the number of bank repossessions would only be increasing in coming months.

(2) Typically, areas like Meridian and Nampa (the most targeted areas), as well as Post Falls, that grew the fastest are becoming the hardest hit areas resulting from the current economic crisis. The most commonly cited reasons for the volume of foreclosures has been a combination of two facts: 1. That most of these homes were built or purchased at the peak of the market at incredibly escalated prices and now people owe more than their house is worth as home values continue to plummet, with no sign that home values will be increasing anytime soon; and 2. Loss of employment.

(3) Median income of households in target geography:

Meridian:	\$53,276	Driggs:	\$33,750
Nampa:	\$34,758	Eagle:	\$65,313
Boise:	\$42,432		
Kuna:	\$54,185		
Caldwell:	\$30,848		
Middleton:	\$32,665		
Post Falls:	\$39,061		
Coeur d'Alene	\$39,491		

IHFA was unable to determine housing cost burden for households specifically at the 50%, 80% and 120% of AMI due to lack of available data. Through research conducted on PolicyMap, IHFA was able to determine that the median owner cost burden in 2000 for the state of Idaho as a percentage of household income was 18.5%. For specific counties containing target geography, Ada County was at 19.1%, Canyon County at 19.5% and Kootenai County at 21.1%. It can only be assumed then that given the current state of the economy and the escalation of housing prices that has occurred in Idaho since 2000, that these percentages would be significantly higher at present time.

(4) Historically in Idaho, affordable housing and housing-related issues have not been a priority among government leaders—on a funding level, that is. It is up to a handful of agencies who receive federal funding that can be used for housing to do what they can with the funds that are received. Which is why it is crucial for Idaho to receive NSP2 funding.

Another relevant factor in this crisis, not as a cause, but as another victim is the educational system. Throughout Idaho, many school districts are suffering and two have been able to declare a financial emergency. Teachers are being cut, starting salaries are being reduced, and benefits delayed. Declining property values and vacant homes have not only contributed to neighborhood decline, it has caused a significant impact to school district revenue. According to the same article as cited previously in the Idaho Statesman on June 28, 2009, the Meridian School District had “a \$1.8 billion decline in property values inside the school district last year”. NSP2 funds could contribute to stabilizing housing in neighborhoods and help prevent further declines in property values.

(5) At this point in time, IHFA believes that the most efficient, most rapid method to arrest foreclosures and stabilize housing within its targeted geography is to provide the NSP eligible activity (A)—provide a financing mechanism in the form of direct homeownership assistance. A substantial down payment for low-to moderate-income households, combined with low, fixed rates will have a substantial impact on the ability of households to obtain and keep their homes. Idaho home sales have been increasing within the last few months and NSP2 funds will be an infusion of opportunity to keep that trend going.

Factor 2: Demonstrated Capacity of the Applicant and Relevant Organizational Staff

A. Past Experience of the Applicant

As a successful housing and finance agency, IHFA more than demonstrates the needed capacity to administer and carry out NSP2 on behalf of the targeted regions within the state of Idaho. Currently, IHFA is the sole administrator of the \$19.6 million in NSP1 funding awarded to Idaho in March 2009. As a housing and finance agency created under state enabling legislation in 1972, IHFA is the lead administrator and funder of housing opportunities and programs for the

state of Idaho. It is for this reason that IHFA was designated by Idaho's Governor to apply for, and administer, NSP1 funding for Idaho. Although NSP1 is just getting off the ground in many places, Idaho is already off to a strong start. By the time this application is submitted in July, IHFA will have completed at least 10 foreclosure acquisitions through its sub recipients to be used for homebuyer and rental activities. Under Idaho's NSP Substantial Amendment, all rental activity is to be used for special needs housing and target those that are at 50% and below AMI as a means of reaching the federally mandated goal that 25% of the NSP dollars be used for those at 50% and below AMI. By the end of the 18 month commitment period, IHFA anticipates that under Idaho's NSP Plan, at least 100 homes will have been acquired and be in various stages of rehabilitation and resale to eligible homebuyers or occupancy by renters. With program income, by the end of NSP1 in 2013, IHFA hopes to at least have doubled that number.

IHFA also demonstrates capacity through the administration of other federal housing programs. IHFA is the Participating Jurisdiction for the State of Idaho for the HOME Program. Just over the 2008 HOME Program Year alone, IHFA expended \$9.8 million in HOME funds. This served to create a total of 567 HOME units—both single family homebuyer activity and multifamily rental units. IHFA's HOME Program financed down payment and closing cost assistance for homebuyers and provided financing to developers and nonprofits around the state for multifamily acquisition, acquisition/rehabilitation, and new construction. Also, as the state PJ, IHFA is the Responsible Entity for environmental reviews.

IHFA is the administrator of the Low Income Housing Tax Credit Program for the state of Idaho as well. IHFA's HOME Program will be working closely with LIHTC to administer the recently awarded TCAP stimulus program that will provide \$8.8 million in additional funding for tax credit projects in the state of Idaho. IHFA's HOME Program is the conduit for this funding and will aid in overseeing all applicable federal requirements.

IHFA wears a variety of federal program hats and possesses tremendous experience in administering and complying with federal programs and millions of dollars in funding. For example, IHFA is a statewide housing authority and administers roughly 3,000 Section 8 vouchers across the state and owns 76 units of Public Housing. Also, IHFA is the state Grantee for the Continuum of Care programs, as well as the Emergency Shelter Grant Program (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) grant. IHFA is the lead agency, and only provider of, the Homelessness Management and Information System (HMIS) for Idaho.

Regarding IHFA's homeownership lending, last year IHFA reported that in 36 years, IHFA has invested more than \$4.6 billion in 63,060 Idaho home loans and currently services 18,373 loans.

IHFA's Mission Statement:

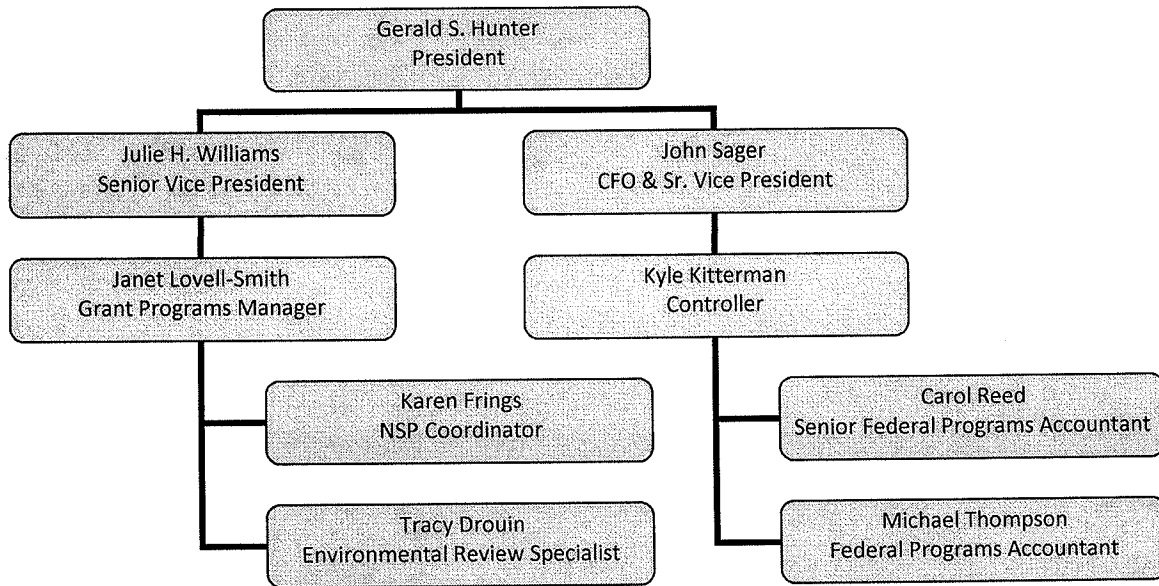
The Idaho Housing and Finance Association's mission is to expand Idaho's affordable housing opportunities by providing vision, leadership and results in:

- Identifying, securing and administering monies for housing;

- Cultivating partnerships through excellent customer service;
- Creatively and innovatively maximizing limited resources;
- Actively responding to housing challenges efficiently and effectively; and
- Providing education, training, resource coordination and policy formulation on housing issues affecting Idahoans.

B. Management Structure

The management structure for IHFA’s NSP2 program involves the Grant Programs Manager having direct day-to-day management of the NSP2 program and in turn, reporting directly to the Senior Vice President and President of IHFA. The key staff reporting to the Grant Programs Manager for the NSP1 and NSP2 programs is the NSP Program Coordinator (position created for NSP1) and the Environmental Review Specialist. It is anticipated that an additional position will be created to administer the NSP2 funding. Also identified as key NSP2 staff are the accounting management and staff responsible for overseeing the efficient and timely draws from DRGR (once approved by Grant Programs Manager and NSP Coordinator) and funds disbursement. The organizational chart specifically for the NSP2 program would be as follows:



References:

1. Governor’s Office, State of Idaho
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