

# **Adams County**

## **NSP1 Substantial Amendment**

**Jurisdiction(s): Adams County, Colorado**

**Lead Agency: Adams County**

**NSP Contact Person: Joelle Greenland, Community Development & Long Range Planning Manager**

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

Adams County, Colorado is located in the Denver metropolitan area. The county's current population of nearly 500,000 residents is spread out over 1,182 square miles with the majority of the population concentrated on the western third of the county. The county contains a diverse mix of land uses varying from older first-ring cities and new green-field suburbs to expanses of open rangeland. All or portions of nine municipalities are found in Adams County. The City and County of Denver is contiguous to our southern border.

Roughly 100,000 residents live in unincorporated Adams County with the majority of the population living in the cities of Northglenn, Thornton, Westminster, Brighton, Commerce City, Aurora, Arvada and Federal Heights. The towns of Bennett, Strasburg and Watkins are located in the eastern plains and are predominately agricultural, but rapidly urbanizing communities. All communities with the exception of Commerce City, Thornton, Westminster, Arvada and Aurora (which are their own entitlement communities) participate in the Urban County partnership jurisdiction.

The poverty in Adams County is around 13%. Populations with low-incomes and living in poverty are concentrated in a number of locations throughout the county. These locations are largely found in the southwestern portion of the county including Aurora, Commerce City, the older communities of unincorporated Adams County, and portions of the older neighborhoods of Thornton, Federal Heights, Northglenn and Brighton.

Due to the dramatic levels of foreclosures in Adams County during the Great Recession (2007-2012), Adams County Community Development (ACCD) and other partner agencies such as the Adams County Housing Authority (now known as Unison Housing Partners), city representatives from Northglenn, Thornton, Brighton, Commerce City, various non-profits and the County Public Trustee formed a foreclosure task force towards the end of 2007. The task force began mapping foreclosures, identifying effective strategies and coordinating the marketing of foreclosure prevention workshops implemented by the housing authority.

In recent years, the housing market has improved, resulting in a dramatic decline in the number of foreclosures in Adams County. The current real estate market conditions and NSP eligibility requirements have made it difficult to acquire and rehabilitate single-family homes as the county has done in the past with its NSP funds. Therefore, the county is pursuing new means of developing affordable housing through the acquisition and redevelopment of demolished or vacant properties, as per NSP's Eligible Use E. The need for affordable housing has been identified in the 2017 Adams County Housing Needs Assessment, citing the increasing disparity between incomes housing costs, known as the

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While the *original* 2008 NSP1 Action Plan included the following information (using HUD data) to identify the initial priority areas, the market has changed substantially in the County a decade later; however, these were the original identified areas of greatest needs:

#### **City of Commerce City**

*For purposes of determining the areas of greatest need within the city’s boundaries, Commerce City used data provided by HUD showing (by census tract and block group) the Estimated Foreclosure Abandonment Risk Scores and the Predicted 18-month Underlying Problem Foreclosure Rates. Commerce City also used Federal Reserve Home Mortgage Disclosure Act (HMDA) data showing the percent of all loans made between 2004 and 2006 that are high cost and USPS data identifying residential addresses that have been vacant for 90 days or longer as of June. Based on that data, Census Tracts 87.03, 87.05, 87.06, 88.01, and 89.01 were identified as the areas with the greatest need where we will target our initial efforts under this program. These census tracts incorporate most of the older, historic part of the city.*

*The above risk factors for northern part of the city (all located within Census Tract 85.12) are slightly lower; however, that area has experienced the highest ratio of foreclosures to existing homes of any area within Adams County. Also, the homes within Census Tract 85.12 are typically priced from \$200,000 to \$900,000, putting them above a reasonable price range for those making an income less than 120%. We are requesting additional funding to target this area through another application, but without additional funding from the State of Colorado, will continue to focus primarily within the census tracts listed in the above paragraph.*

#### **City of Thornton**

*The City of Thornton proposes to use the Neighborhood Stabilization Program (NSP) funds to support neighborhood revitalization efforts in south Thornton. The Thornton City Council has identified neighborhood stabilization in this area as their top priority; this includes addressing the impact of foreclosures and focusing efforts on revitalizing this area, including developing neighborhood groups that work to enhance the visual appeal of the neighborhood, commercial redevelopment and streetscape improvements as follows:*

##### *Neighborhood Target Areas*

*The City of Thornton has chosen neighborhoods bordered by 104th, Washington, 88th, and Welby Road as the target areas for NSP. These include Census Tracts 9101, 9104, 9202, 9204, and 9205. Justification for these areas is based upon the following indicators of destabilization: existing data from the Comprehensive Plan, demographic profiles from the census, foreclosure data provided by ACCD, and areas already identified by the city for neighborhood revitalization.*

##### *History of Targeted Area*

*The City of Thornton began as a bedroom community to Denver in April 1953. Hoffman Homes opened three model homes, located just off Washington Street at this time. These homes were developed for GIs returning from the War and wanting to start a family.*

*These homes were attractive, solid brick construction home in a planned community. A young GI could purchase the new home with a low-interest loan guaranteed by the federal government.*

*Today, these homes provide the opportunity for new families to start their life. The City of Thornton would like to bring these homes up to present day building code, thereby continuing to offer young families and adults who fall into the lower income brackets the opportunity to own a home and become a part of the community. Please note that this is not the primary purpose for selecting these neighborhoods. These neighborhoods were selected because they have been identified by the city (through an evaluation process noted above) as areas that are in the greatest need. Some of these homes in the target census tracts have been vandalized, with copper pipes and other basic systems stolen. The City first evaluated data provided by HUD for the LMMI Benefit with Abandonment/Foreclosure Risk Data Set.*

*Five census tracts were identified and had a score of 8-10, indicating areas of greatest need. In addition, the City utilized a variety of internal and external sources to identify areas that the NSP could have the greatest impact in improving neighborhood stabilization including areas identified in the Thornton Comprehensive Plan as a high priority for "renovation and reinvestment". This study involved an extensive evaluation of many factors including age of housing, housing value per unit, housing value per square foot, ratio of land value to total value, size of houses, occupancy type, median household income, population over age 65, code violations, and a windshield survey – criteria and indicators that are precisely related to neighborhood stabilization. Other issues that place a role in how Thornton identified its target areas include:*

#### *Location of Foreclosed Homes*

*The majority of Census Tract 85.21 resides outside of the boundaries of the City of Thornton. In evaluating the foreclosure data as depicted on the map in the original county NSP Action Plan, out of the total housing units of 515, only 56 of the foreclosed homes were in Thornton. This is not a high percentage compared to the other areas that were selected where 109 homes were vacant due to foreclosure.*

#### *Higher Incomes in Census Tracts*

*In Census Tract 85.21, based upon the 2000 Census, the average household median income is \$82,565. This income range would not qualify for any of the HUD income guidelines. Using the HUD AMI for a 3-person household which is the average household size in Thornton, gives the following income qualification levels:*

*-120% AMI is \$77,550*

*-50% AMI is \$32,300*

#### *Higher Price of Homes in Census Tracts*

*Using MLS data from 12/18/08 and overlaying the locations of foreclosure data, we have provided a sample of the asking price and sold price of homes in Census Tract 85.21:*

*-Springvale Subdivision - \$319,000 / \$308,000*

*-Riverdale Park - \$329,950 / \$320,000*

*-Quebec Riverdale - \$294,900 / \$276,000*

*This is in comparison with the average cost of a home in original Thornton (the targeted areas mentioned above) ranging from \$70,000 to \$100,000.*

### **City of Northglenn**

*Section 2301 (c) (2) of HERA requires that the distribution and use of the NSP funds be in: areas that have the greatest percentage of home foreclosures, that have the highest percentage of homes financed by a subprime mortgage related loans, and that have been identified as likely to face a significant rise in the rate of home foreclosures.*

*These factors were included and used in the analysis of the Northglenn data and are detailed in the above chart. The census tracts are ranked accordingly to the available data. Census Tract 85.05 has the greatest need, followed by 85.07, 93.04, 85.33 and 85.06.*

*The goal in Northglenn is to restore the physical livability of targeted neighborhoods in the above mentioned census tracts. Homes and project sites will be strategically selected with regard to their overall impact on neighborhood stability. Northglenn will spur private investment once there are successful sales that establish spreads available for investment. Also, the rehabilitation and sale of distressed properties to new families will provide assurance to existing homeowners that the City has not forgotten them and is working to stabilize and improve their neighborhoods and property values. This will likely bring about investment by these homeowners in their homes which will also add to the improvement and value of the neighborhood.*

### **Unincorporated Adams County**

*Target areas in unincorporated Adams County include the neighborhoods of Berkeley, Welby, Sherrelwood, Twin Lakes (Perl Mack neighborhood) and Derby. These comprise some of the poorest neighborhoods in Adams County. For the past five years Adams County Community Development has been working with local residents to establish neighborhood organizations to function as conduits for neighborhood-based improvements. These groups will provide valuable vision, leadership and commitment to neighborhood stabilization projects. There are formally recognized neighborhood groups in Berkeley, and Twin Lakes/Perl Mack with leadership contacts established in Sherrelwood. The Derby neighborhood has a high number of foreclosures, abandonment rates and foreclosure rates.*

### **City of Brighton**

*Census Tract 8606 has been identified as having the highest number of foreclosures, rate of foreclosures and risk factors. Although Census Tract 8522 within Brighton has a high incidence of foreclosure, the range of home prices is between \$144,900 and \$324,900. With this area's easy accessibility and lack of overwhelming rehabilitation needs, ACCD plans to focus the NSP funds in more deteriorated areas less likely to rebound without the help of the Neighborhood Stabilization Program.*

### **City of Federal Heights**

*The Economic Development staff from the City of Federal Heights has identified specific projects in adjacent Census Tracts 9318 and 9319 as priority areas where the limited NSP funds will have a higher potential for impact in the neighborhood due to the visibility and exposure of selected properties. Over the five-year period of the NSP, the City of Federal Heights will work within all three census tracts in response to the stabilization needs of the community. Census tract 9319 has been identified as having the highest number of foreclosures, rate of foreclosures and risk factors. Most of the foreclosures in this census tract are mobile homes in private mobile home parks and are more problematic since the mobile homes are subject to repossession. ACCD and Federal Height's staff will seek to identify an appropriate impact strategy in response to this phenomenon.*

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

From 2009-2013, Adams County programmed NSP1 funding toward the acquisition and rehabilitation of single-family housing, home buyer assistance, and multi-family housing rehabilitation. However, the ability to acquire, rehabilitate, and resell properties in Adams County has become increasingly difficult. Adams County is therefore shifting its funding to assist in land acquisition for the creation of affordable multi-family housing that will result in the creation of over 200 affordable rental units.

Adams County's primary goal in utilizing NSP funds is to increase housing options in local communities, targeting the national objective of households at or below 50% of the area median income (AMI). As the single-family housing market grows in Adams County, homeownership is not possible for very-low-income households. Adams County is reacting to the market shift by turning its attention with NSP activities to the multi-family housing market. By using NSP funds to help develop multi-family housing, Adams County hopes to create more housing opportunities for very-low income families.

Adams County has prioritized the use of the NSP funds by first targeting the acquisition of foreclosed properties in neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as confirmed through data provided by HUD and the county's own data on foreclosures. The initially targeted areas will be in those neighborhoods that meet the criteria above.

The funds will be used in these primary activities, plus administration:

- As a financing mechanism to ensure affordability (soft seconds, interest buy downs, loan guarantees, and/or a loan loss reserve) primarily for families buying units that have been rehabilitated through this program;
- Acquisition/rehabilitation and resale;
- Acquisition/rehabilitation and resale to those families at or below 50% of AMI;
- Acquisition/redevelopment of units that would cost more to rehabilitate than the purchase price;
- Redevelopment of demolished or vacant properties for new construction of multifamily housing;
- Administration of the program which will not exceed 10% of the NSP grant and 10% of any program income.

### ***Financing Mechanism***

As defined in the NSP regulations, down payment assistance and/or other financing mechanisms are permissible uses of the NSP funds. It is anticipated that most, if not all of the units acquired/rehabilitated and sold to first-time homebuyers will require some form of gap financing to ensure affordability. Additionally, NSP funds may be used to buy down the interest rate on the first trust deed for the acquisition of properties by income-eligible homebuyers that are not also being rehabilitated. The buy-down option is not anticipated to represent many units.

### ***Acquisition/Rehabilitation and Resale***

Adams County will acquire and rehabilitate foreclosed, abandoned single family units and sell them to income-eligible first-time homebuyers (individuals and families that have not owned real property in the previous three years). This will be done through a combination of leverages, and partnered and direct purchases. The final sale price will be no greater than the initial acquisition and rehabilitation costs. All

acquisitions will be made for at least 5% below an appraised value determined no more than 60 days prior to the date of the offer to purchase with the aggregate of the portfolio of acquisitions made for at least 15% below an appraised value.

Prospective buyers of these homes must be income qualified, not to exceed 120% of the Area Median Income (AMI) as defined by HUD. In addition prospective buyers of these homes will be required to attend both pre-acquisition and post-acquisition homebuyer counseling as provided by the Adams County Housing Authority or another HUD certified housing counseling agency.

### ***Acquisition/Rehabilitation/Rental***

This activity will consist of rent-to-own units, basic affordable rental units, and multi-family rental units for households earning at or below 50% of AMI. Depending on the pool of applicants for the purchase of the rehabilitated units, there may be some that have adequate income but lack an appropriate credit score to be able to purchase at this time. The Adams County Housing Authority or other designated sub-recipient would take title to the unit, and lease the unit in a rent-to-own scenario. Enrollment with a credit counseling program by a HUD certified agency would be mandatory, and a portion of the rent would be set aside to start collecting as a down payment. All units will be made available at affordable rental rates for households at all income levels up to 120% AMI.

For the required 25% of NSP funds which need to be used to serve individuals and families at or below 50% AMI, Adams County will use the funds in acquisition/ rehabilitation/rental activities primarily to serve families at or below 50% AMI and/or special needs clients when those clients meet the income qualifications defined by the program. These funds will be utilized for acquisition/rehabilitation of multi-family units in partnership with non-profit housing developers. Typically, title to the property would be transferred to a designated agency for sustainable affordable housing such as a nonprofit organization. Where possible, these units will be used to augment the special needs housing categories such as the elderly and the disabled for those who meet the required income qualifications.

### ***Acquisition/Demolition/Redevelopment***

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, staff would consult with the County's Building Officials regarding the structural soundness of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an infill unit or units would commence immediately.

### ***Demolition of Blighted Structures***

Though not a high priority, in particular the first year of this program, it is assumed that some structures will have been vacated and blighted prior to the abandonment. Once deemed blighted in accordance with local law, these structures will be demolished and the land made available to redevelop.

### ***Land Banking***

Depending on opportunities within the market, Adams County may elect to purchase properties and hold them for a period of up to ten years as per NSP08.03.

### ***Redevelopment of Demolished or Vacant Property for New Construction of Rental Housing***

This activity will seek to provide funding for the redevelopment of demolished or vacant property to be used for the development of multi-family rental housing. All units created will be made available at

affordable rental rates for households at all income levels up to 120% AMI. All acquisitions will be made for at least 5% below the appraised value.

For the required 25% of NSP funds which need to be used to serve individuals and families at or below 50% AMI, Adams County will use the funds in acquisition/rehabilitation/rental activities primarily to serve families at or below 50% AMI and/or special needs clients when those clients meet the income qualifications defined by the program. These funds will be utilized for acquisition/rehabilitation of multi-family units in partnership with non-profit housing developers. Typically, title to the property would be transferred to a designated agency for sustainable affordable housing, such as a nonprofit organization. Where possible, these units will be used to augment the special needs housing categories such as the elderly and the disabled for those who meet the required income qualifications.

### ***Administration***

Ten percent, or \$460,211, of the Adams County's NSP allocation can be used for administration purpose. Adams County will make use of the entirety of these funds to contract project-designated staff for the duration of the NSP as well as to cover operational supplies, materials and equipment. It is further anticipated that a 10 percent portion of any program income will be used to cover direct project-related costs incurred by ACCD.

### ***Program Income***

Throughout the five-year program period, Adams County will continually reinvest returned income from the program back into the program. Reinvestment of program income will follow all HUD Neighborhood Stabilization Program objectives as well as addressing the foreclosure and stabilization needs of Adams County at the time of program income return.

Adams County will include program income provisions with all contracts and agreements with sub-grantees as well as participating Adams County cities. This will ensure consistent and transparent administration of NSP program income when applicable. Sub-grantee and participating Adams County cities will be subject to monitoring by Adams County to ensure proper administration and usage of program income.

### ***Distribution of Funds to Sub-recipients***

Adams County's Neighborhood Stabilization Program Amendment was the result of significant interaction between ACCD staff and staff of the municipalities where foreclosure impact has been the highest. ACCD and city staff will continue to function as a committee through which the NSP will be coordinated. In partnership with ACCD staff, city officials will continue to play a key role in the project identification phase, determining the neighborhoods, properties and the scope of work for each project as well as tracking the impact of each project. This NSP Committee will review project proposals from sub-recipients to ensure the proposals are keeping with the NSP objectives, thus decisions related to the NSP with regards to allocations to sub-recipients will be made by the county with significant input from the city staff. Contracts with sub-recipients will be with Adams County.

With regards to the selection process of sub-recipients, ACCD is working with the state of Colorado, Aurora, and the City of Denver to establish common procedures. ACCD will employ a process that is open, fair and objective. The process will consist of a public notice, an application format that is standardized, with clear selection criteria and screening of applications. The NSP Committee mentioned above (with the county in the lead role) will review each application and make allocation decisions based on specific criteria. Criteria will include but not be limited: to the core competency of each

agency, track record in the project area they applying for, financial stability, relevance of the proposal to the target areas and stated county/city priorities, the cost effectiveness of the project and the amount of non-NSP funds leveraged or committed. For other services and contractors, the NSP Committee and its sub-recipients will make use of RFQ and bidding procedures in keeping with county and HUD policy.

### **C. DEFINITIONS AND DESCRIPTIONS**

(1) Definition of “blighted structure” in context of state or local law: Adams County and its partnering cities use the State of Colorado’s definition of blight as found in the Colorado Revised Statutes 31-25-103.

(2) Definition of “affordable rents”: For any NSP-funded rental activity, “affordable rents” shall be defined as 30% of the household’s adjusted income, less utility allowances as adopted by the Adams County Housing Authority for the Section 8 program, as appropriate. The maximum Affordable Rents shall not exceed the Fair Market Rents (FMR) as published annually by the U.S. Department of Housing and Urban Development for each county in Colorado.

(3) To ensure continued affordability ACCD uses the definition of affordable rents, rent schedule and utility allowances, affordability period and continued affordability as provided by HUD in 24 CFR 92.25 sections (a), (c), (e), (f) as well as 92.252(c).

Specifically:

(a) Rent limitation. HUD provides the following maximum HOME rent limits. The maximum HOME rents are the lesser of:

- (1) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or
- (2) A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Initial rent schedule and utility allowances. The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction must review and approve rents proposed by the owner for units subject to the maximum rent limitations in paragraphs (a) or (b) of this section. For all units subject to the maximum rent limitations in paragraphs (a) or (c) of this section for which the tenant is paying utilities and services, the participating jurisdiction must ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.

(c) Periods of Affordability. The HOME-assisted units must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. They must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure. The participating jurisdiction may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure,



or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property.

Rehabilitation or acquisition of existing housing per unit amount of HOME funds:

- \$15,000 per unit and under = 5 years
- \$15,001 to \$40,000 = 10 years
- \$40,001 and above = 15 years
- New construction or acquisition of newly constructed housing = 20 years

(d) Subsequent rents during the affordability period. The maximum HOME rent limits are recalculated on a periodic basis after HUD determines fair market rents and median incomes. HUD then provides the new maximum HOME rent limits to participating jurisdictions. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities: The NSP funds will use the Adams County standards from its Homeowner Occupied Rehabilitation Program known as the Home Improvement Program.

*Code / Health & Safety Repairs* – The first priority of the Housing Rehab Program is to eliminate, or otherwise “cure” any and all pre-existing Code violations and Health & Safety hazards. Therefore, all rehab projects must correct any pre-existing code deficiencies and/or health & safety related repairs needed. This includes preexisting construction found that was done without permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehab project.

*Lead Based Paint Hazards* – An additional priority of the Housing Rehabilitation Program is to reduce any lead-based paint hazards present in homes. A Lead-Based Paint test (XRF testing) and a Risk Assessment are required on all rehabilitation projects to identify the existence and scope of any lead-based paint hazards in the home. The standards of “Lead-Based Paint Poisoning Prevention in Federally Owned and Federally Assisted Housing” found at 24 CFR Part 35 apply.

*General Property Improvements* – Once the cost of repairing all code deficiencies, health and safety items, lead-based paint hazards, and termite repairs are totaled up, then any additional program funding may be used to address general property improvements. General property improvements may include a wide variety of items such as painting, replacement of fixtures, replacement of cabinets and vanities, replacement of flooring, etc. General property improvements may NOT include any materials or items that are of a type and quality which exceeds the standards for similar properties in the area, or that far exceed the basic standards of “decent, safe, and sanitary housing.” The minimally acceptable standards may be found at 24 CFR 983.101.

#### **D. LOW INCOME TARGETING**

For the 2008 Neighborhood Stabilization Program, Adams County has received \$4,600,211 to address neighborhood stabilization activities in our community. Adams County will use no less than \$1,150,052.75 of the NSP allocation to cover eligible investments towards eligible activities benefiting individuals and/or families whose incomes do not exceed 50% of area median income. The

responsibility of conducting these activities will be shared by all jurisdictions within the entitlement community of Adams County. The primary mechanism by which this will be achieved is through Multi-Family Acquisition/Rehab/Redevelopment/Rental. We will also seek opportunities with Single Family Acquisition/Rehab/Redevelopment.

#### ***E. ACQUISITION AND RELOCATION***

Adams County does intend to address some blight conditions by demolishing and redeveloping vacant and foreclosed residential properties. This activity will be limited and the County estimates that approximately five properties annually will be involved in this activity over the course of the program. It is expected that the density will be increased and throughout the five-year course of this program an estimated 50 families will benefit from this activity. It is also expected that all of the families will be at or below 120% AMI, and that roughly 50% of families will be at or below 50% AMI.

#### ***F. PUBLIC COMMENT (NSP1)***

Adams County Community Development posted the initial plan for a fifteen-day public comment period on Thursday, November 13, 2008 through publication in the local Northglenn-Thornton Sentinel and by posting it to the Adams County website. Public comments received during this time can be viewed in Attachment A.

All public comments were considered before final submission of the amendment to HUD. The Board of County Commissioners ratified the NSP substantial amendment on November 24, 2008.

The First Substantial Amendment to the Action Plan was posted for a fifteen-day public comment period on Thursday, July 8, 2010 through publication in the local Northglenn-Thornton Sentinel and by posting it to the Adams County website. No public comments were received.

An Amendment to the Action Plan was posted for a thirty-day comment period in the Westminster Window and Northglenn-Thornton Sentinel on March 28 and in the Brighton Blade on March 29 and by posting it to the Adams County website. The amendment was passed by on May 1 by the Adams County Board of County Commissioners. No public comments were received.

A third Substantial Amendment to the Action Plan was posted for a thirty-day comment period in the Westminster Window and Northglenn-Thornton Sentinel on December 13, 2018 and by posting it to the Adams County Website. The amendment as passed on January 15, 2019 by the Adams County Board of County Commissioners. No public comments were received.

# **Adams County**

## **NSP3 Substantial Amendment**

**Jurisdiction(s): Adams County, Colorado**

**Lead Agency: Adams County**

**NSP Contact Person: Joelle Greenland, Community Development & Long Range Planning Manager**

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**Email: [jgreenland@adcogov.org](mailto:jgreenland@adcogov.org)**

### ***A. Summary of Distribution and Uses of NSP Funds***

Adams County, Colorado is located in the Denver metropolitan area. The county's current population of nearly 500,000 residents is spread out over 1,182 square miles with the majority of the population concentrated on the western third of the county. The county contains a diverse mix of land uses varying from older first-ring cities and new green-field suburbs to expanses of open rangeland. All or portions of nine municipalities are found in Adams County. The City and County of Denver is contiguous to our southern border.

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*The above risk factors for northern part of the city (all located within Census Tract 85.12) are slightly lower; however, that area has experienced the highest ratio of foreclosures to existing homes of any area within Adams County. Also, the homes within Census Tract 85.12 are typically priced from \$200,000 to \$900,000, putting them above a reasonable price range for those making an income less than 120%. We are requesting additional funding to target this area through another application, but without additional funding from the State of Colorado, will continue to focus primarily within the census tracts listed in the above paragraph.*

#### **City of Thornton**

*The City of Thornton proposes to use the Neighborhood Stabilization Program (NSP) funds to support neighborhood revitalization efforts in south Thornton. The Thornton City Council has identified neighborhood stabilization in this area as their top priority; this includes addressing the impact of foreclosures and focusing efforts on revitalizing this area, including developing neighborhood groups that work to enhance the visual appeal of the neighborhood, commercial redevelopment and streetscape improvements as follows:*

##### *Neighborhood Target Areas*

*The City of Thornton has chosen neighborhoods bordered by 104th, Washington, 88th, and Welby Road as the target areas for NSP. These include Census Tracts 9101, 9104, 9202, 9204, and 9205. Justification for these areas is based upon the following indicators of destabilization: existing data from the Comprehensive Plan, demographic profiles from the census, foreclosure data provided by ACCD, and areas already identified by the city for neighborhood revitalization.*

##### *History of Targeted Area*

*The City of Thornton began as a bedroom community to Denver in April 1953. Hoffman Homes opened three model homes, located just off Washington Street at this time. These homes were developed for GIs returning from the War and wanting to start a family.*

*These homes were attractive, solid brick construction home in a planned community. A young GI could purchase the new home with a low-interest loan guaranteed by the federal government.*

*Today, these homes provide the opportunity for new families to start their life. The City of Thornton would like to bring these homes up to present day building code, thereby continuing to offer young families and adults who fall into the lower income brackets the opportunity to own a home and become a part of the community. Please note that this is not the primary purpose for selecting these neighborhoods. These neighborhoods were selected because they have been identified by the city (through an evaluation process noted above) as areas that are in the greatest need. Some of these homes in the target census tracts have been vandalized, with copper pipes and other basic systems stolen. The City first evaluated data provided by HUD for the LMMI Benefit with Abandonment/Foreclosure Risk Data Set.*

*Five census tracts were identified and had a score of 8-10, indicating areas of greatest need. In addition, the City utilized a variety of internal and external sources to identify areas that the NSP could have the greatest impact in improving neighborhood stabilization including areas identified in the Thornton Comprehensive Plan as a high priority for "renovation and reinvestment". This study involved an extensive evaluation of many factors including age of housing, housing value per unit, housing value per square foot, ratio of land value to total value, size of houses, occupancy type, median household income, population over age 65, code violations, and a windshield survey – criteria and indicators that are precisely related to neighborhood stabilization. Other issues that place a role in how Thornton identified its target areas include:*

#### *Location of Foreclosed Homes*

*The majority of Census Tract 85.21 resides outside of the boundaries of the City of Thornton. In evaluating the foreclosure data as depicted on the map in the original county NSP Action Plan, out of the total housing units of 515, only 56 of the foreclosed homes were in Thornton. This is not a high percentage compared to the other areas that were selected where 109 homes were vacant due to foreclosure.*

#### *Higher Incomes in Census Tracts*

*In Census Tract 85.21, based upon the 2000 Census, the average household median income is \$82,565. This income range would not qualify for any of the HUD income guidelines. Using the HUD AMI for a 3-person household which is the average household size in Thornton, gives the following income qualification levels:*

*-120% AMI is \$77,550*

*-50% AMI is \$32,300*

#### *Higher Price of Homes in Census Tracts*

*Using MLS data from 12/18/08 and overlaying the locations of foreclosure data, we have provided a sample of the asking price and sold price of homes in Census Tract 85.21:*

*-Springvale Subdivision - \$319,000 / \$308,000*

*-Riverdale Park - \$329,950 / \$320,000*

*-Quebec Riverdale - \$294,900 / \$276,000*

*This is in comparison with the average cost of a home in original Thornton (the targeted areas mentioned above) ranging from \$70,000 to \$100,000.*

### **City of Northglenn**

*Section 2301 (c) (2) of HERA requires that the distribution and use of the NSP funds be in: areas that have the greatest percentage of home foreclosures, that have the highest percentage of homes financed by a subprime mortgage related loans, and that have been identified as likely to face a significant rise in the rate of home foreclosures.*

*These factors were included and used in the analysis of the Northglenn data and are detailed in the above chart. The census tracts are ranked accordingly to the available data. Census Tract 85.05 has the greatest need, followed by 85.07, 93.04, 85.33 and 85.06.*

*The goal in Northglenn is to restore the physical livability of targeted neighborhoods in the above mentioned census tracts. Homes and project sites will be strategically selected with regard to their overall impact on neighborhood stability. Northglenn will spur private investment once there are successful sales that establish spreads available for investment. Also, the rehabilitation and sale of distressed properties to new families will provide assurance to existing homeowners that the City has not forgotten them and is working to stabilize and improve their neighborhoods and property values. This will likely bring about investment by these homeowners in their homes which will also add to the improvement and value of the neighborhood.*

### **Unincorporated Adams County**

*Target areas in unincorporated Adams County include the neighborhoods of Berkeley, Welby, Sherrelwood, Twin Lakes (Perl Mack neighborhood) and Derby. These comprise some of the poorest neighborhoods in Adams County. For the past five years Adams County Community Development has been working with local residents to establish neighborhood organizations to function as conduits for neighborhood-based improvements. These groups will provide valuable vision, leadership and commitment to neighborhood stabilization projects. There are formally recognized neighborhood groups in Berkeley, and Twin Lakes/Perl Mack with leadership contacts established in Sherrelwood. The Derby neighborhood has a high number of foreclosures, abandonment rates and foreclosure rates.*

### **City of Brighton**

*Census Tract 8606 has been identified as having the highest number of foreclosures, rate of foreclosures and risk factors. Although Census Tract 8522 within Brighton has a high incidence of foreclosure, the range of home prices is between \$144,900 and \$324,900. With this area's easy accessibility and lack of overwhelming rehabilitation needs, ACCD plans to focus the NSP funds in more deteriorated areas less likely to rebound without the help of the Neighborhood Stabilization Program.*

### **City of Federal Heights**

*The Economic Development staff from the City of Federal Heights has identified specific projects in adjacent Census Tracts 9318 and 9319 as priority areas where the limited NSP funds will have a higher potential for impact in the neighborhood due to the visibility and exposure of selected properties. Over the five-year period of the NSP, the City of Federal Heights will work within all three census tracts in response to the stabilization needs of the community. Census tract 9319 has been identified as having the highest number of foreclosures, rate of foreclosures and risk factors. Most of the foreclosures in this census tract are mobile homes in private mobile home parks and are more problematic since the mobile homes are subject to repossession. ACCD and Federal Height's staff will seek to identify an appropriate impact strategy in response to this phenomenon.*

## ***B. HOW FUND USE ADDRESSES MARKET CONDITIONS***

Adams County has historically programmed NSP3 funding (2011-present) toward the acquisition and rehabilitation of single-family housing. Since 2017, the ability to acquire, rehabilitate, and resell properties in Adams County has become increasingly difficult. Adams County is therefore shifting its funding to assist in land acquisition for the creation of affordable multi-family housing.

Adams County's primary goal in utilizing NSP funds is to increase housing options in local communities, targeting the national objective of households at or below 50% of the area median income (AMI). As the single-family housing market grows in Adams County, homeownership is not possible for very-low-income households. Adams County is reacting to the market shift by turning its attention with NSP activities to the multi-family housing market. By using NSP funds to help develop multi-family housing, Adams County hopes to create more housing opportunities for very-low income families.

Adams County has prioritized the use of the NSP funds by first targeting the acquisition of foreclosed properties in neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as confirmed through data provided by HUD and the county's own data on foreclosures. The county will use HUD's NSP3 Mapping Tool (<https://www.hudexchange.info/resource/669/nsp3-mapping-tool/>) to determine the NSP needs score for each target area. NSP projects will be in those neighborhoods that meet the criteria above.

The funds will be used in these primary activities, plus administration:

- As a financing mechanism to ensure affordability (soft seconds, interest buy downs, loan guarantees, and/or a loan loss reserve) primarily for families buying units that have been rehabilitated through this program;
- Acquisition/rehabilitation and resale;
- Acquisition/rehabilitation and resale to those families at or below 50% of AMI;
- Acquisition/redevelopment of units that would cost more to rehabilitate than the purchase price;
- Redevelopment of demolished or vacant properties for new construction of multifamily housing;
- Administration of the program which will not exceed 10% of the NSP grant and 10% of any program income.

### ***Financing Mechanism***

As defined in the NSP regulations, down payment assistance and/or other financing mechanisms are permissible uses of the NSP funds. It is anticipated that most, if not all of the units acquired/rehabilitated and sold to first-time homebuyers will require some form of gap financing to ensure affordability. Additionally, NSP funds may be used to buy down the interest rate on the first trust deed for the acquisition of properties by income-eligible homebuyers that are not also being rehabilitated. The buy-down option is not anticipated to represent many units.

### ***Acquisition/Rehabilitation and Resale***

Adams County will acquire and rehabilitate foreclosed, abandoned single family units and sell them to income-eligible first-time homebuyers (individuals and families that have not owned real property in the previous three years). This will be done through a combination of leverages, and partnered and direct

purchases. The final sale price will be no greater than the initial acquisition and rehabilitation costs. All acquisitions will be made for at least 5% below an appraised value determined no more than 60 days prior to the date of the offer to purchase with the aggregate of the portfolio of acquisitions made for at least 15% below an appraised value.

Prospective buyers of these homes must be income qualified, not to exceed 120% of the Area Median Income (AMI) as defined by HUD. In addition prospective buyers of these homes will be required to attend both pre-acquisition and post-acquisition homebuyer counseling as provided by the Adams County Housing Authority or another HUD certified housing counseling agency.

#### ***Acquisition/Rehabilitation/Rental***

This activity will consist of rent-to-own units, basic affordable rental units, and multi-family rental units for households earning at or below 50% of AMI. Depending on the pool of applicants for the purchase of the rehabilitated units, there may be some that have adequate income but lack an appropriate credit score to be able to purchase at this time. The Adams County Housing Authority or other designated sub-recipient would take title to the unit, and lease the unit in a rent-to-own scenario. Enrollment with a credit counseling program by a HUD certified agency would be mandatory, and a portion of the rent would be set aside to start collecting as a down payment. All units will be made available at affordable rental rates for households at all income levels up to 120% AMI.

For the required 25% of NSP funds which need to be used to serve individuals and families at or below 50% AMI, Adams County will use the funds in acquisition/ rehabilitation/rental activities primarily to serve families at or below 50% AMI and/or special needs clients when those clients meet the income qualifications defined by the program. These funds will be utilized for acquisition/rehabilitation of multi-family units in partnership with non-profit housing developers. Typically, title to the property would be transferred to a designated agency for sustainable affordable housing such as a nonprofit organization. Where possible, these units will be used to augment the special needs housing categories such as the elderly and the disabled for those who meet the required income qualifications.

#### ***Acquisition/Demolition/Redevelopment***

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, staff would consult with the County's Building Officials regarding the structural soundness of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an infill unit or units would commence immediately.

#### ***Demolition of Blighted Structures***

Though not a high priority, in particular the first year of this program, it is assumed that some structures will have been vacated and blighted prior to the abandonment. Once deemed blighted in accordance with local law, these structures will be demolished and the land made available to redevelop.

#### ***Land Banking***

Depending on opportunities within the market, Adams County may elect to purchase properties and hold them for a period of up to ten years as per NSP08.03.

#### ***Redevelopment of Demolished or Vacant Property for New Construction of Rental Housing***

This activity will seek to provide funding for the redevelopment of demolished or vacant property to be used for the development of multi-family rental housing. All units created will be made available at



affordable rental rates for households at all income levels up to 120% AMI. All acquisitions will be made for at least 5% below the appraised value.

For the required 25% of NSP funds which need to be used to serve individuals and families at or below 50% AMI, Adams County will use the funds in acquisition/ rehabilitation/rental activities primarily to serve families at or below 50% AMI and/or special needs clients when those clients meet the income qualifications defined by the program. These funds will be utilized for acquisition/rehabilitation of multi-family units in partnership with non-profit housing developers. Typically, title to the property would be transferred to a designated agency for sustainable affordable housing, such as a nonprofit organization. Where possible, these units will be used to augment the special needs housing categories such as the elderly and the disabled for those who meet the required income qualifications.

### ***Administration***

Ten percent, or \$460,211, of the Adams County's NSP allocation can be used for administration purpose. Adams County will make use of the entirety of these funds to contract project-designated staff for the duration of the NSP as well as to cover operational supplies, materials and equipment. It is further anticipated that a 10 percent portion of any program income will be used to cover direct project-related costs incurred by ACCD.

### ***Program Income***

Throughout the five-year program period, Adams County will continually reinvest returned income from the program back into the program. Reinvestment of program income will follow all HUD Neighborhood Stabilization Program objectives as well as addressing the foreclosure and stabilization needs of Adams County at the time of program income return.

Adams County will include program income provisions with all contracts and agreements with sub-grantees as well as participating Adams County cities. This will ensure consistent and transparent administration of NSP program income when applicable. Sub-grantee and participating Adams County cities will be subject to monitoring by Adams County to ensure proper administration and usage of program income.

### ***Distribution of Funds to Sub-recipients***

Adams County's Neighborhood Stabilization Program Amendment was the result of significant interaction between ACCD staff and staff of the municipalities where foreclosure impact has been the highest. ACCD and city staff will continue to function as a committee through which the NSP will be coordinated. In partnership with ACCD staff, city officials will continue to play a key role in the project identification phase, determining the neighborhoods, properties and the scope of work for each project as well as tracking the impact of each project. This NSP Committee will review project proposals from sub-recipients to ensure the proposals are keeping with the NSP objectives, thus decisions related to the NSP with regards to allocations to sub-recipients will be made by the county with significant input from the city staff. Contracts with sub-recipients will be with Adams County.

With regards to the selection process of sub-recipients, ACCD is working with the state of Colorado, Aurora, and the City of Denver to establish common procedures. ACCD will employ a process that is open, fair and objective. The process will consist of a public notice, an application format that is standardized, with clear selection criteria and screening of applications. The NSP Committee mentioned above (with the county in the lead role) will review each application and make allocation decisions based on specific criteria. Criteria will include but not be limited: to the core competency of each

agency, track record in the project area they applying for, financial stability, relevance of the proposal to the target areas and stated county/city priorities, the cost effectiveness of the project and the amount of non-NSP funds leveraged or committed. For other services and contractors, the NSP Committee and its sub-recipients will make use of RFQ and bidding procedures in keeping with county and HUD policy.

### ***C. ENSURING CONTINUED AFFORDABILITY***

Adams County uses affordability periods set forth in 24 CFR 92.252(a), (c) (e) and (f), and 92.254. NSP-assisted housing must meet the affordability requirements for not less than the applicable period specified as follows, beginning after project completion:

- \$15,000 per unit and under = 5 years
- \$15,001 to \$40,000 = 10 years
- \$40,001 and above = 15 years
- New construction = 20 years

### ***D. DEFINITION OF BLIGHTED STRUCTURE***

(1) Definition of “blighted structure” in context of state or local law: Adams County and its partnering cities use the State of Colorado’s definition of blight as found in the Colorado Revised Statutes 31-25-103.

### ***E. DEFINITION OF AFFORDABLE RENTS***

Rents that are the lesser of the Housing Choice Voucher (Section 8) Fair Market Rents periodically established by the U.S. Department of Housing and Urban Development, or rents which are 30 percent of adjusted income for households up to 120% of Area Median Income, minus tenant paid utilities.

### ***F. HOUSING REHABILITATION/NEW CONSTRUCTION STANDARDS***

Any entity receiving funds where housing rehabilitation is proposed will be required to verify that they have adopted written Rehabilitation Standards.

All construction projects assisted with NSP funds must meet local codes, rehabilitation standards, ordinances, and zoning ordinances.

Additionally, the following requirements apply to housing receiving NSP3 funding for new construction:

- Buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- Buildings of mid- or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent.
- Water efficient toilets, showers, and faucets must be installed.
- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

### ***G. VICINITY HIRING***

The locations of the funded projects/activities were determined through the course of the selection process described above. The locations for each planned activity are areas of greatest need. Vicinity hiring requirements will be compiled with and detailed in conjunction with the Section 3 provisions of procurement materials for each project.

### ***H. PROCEDURES FOR PREFERENCES FOR AFFORDABLE RENTAL DEV.***

Narratives in sections “Summary of Distribution and Uses of NSP Funds” and “How Fund Use Addresses Market Conditions” above detail the procedures for preferences for Adams County’s NSP3 funds. All affordable rental development will be reviewed using Adams County’s NSP application.

### ***I. GRANTEE CONTACT INFORMATION***

Community Development Manager  
4430 S. Adams County Parkway  
Brighton, CO 80007  
720-523-6200