

**FUNDING APPROVAL AND GRANT AGREEMENT FOR
NEIGHBORHOOD STABILIZATION PROGRAM 2 (NSP2) FUNDS
AS AUTHORIZED AND APPROPRIATED UNDER THE
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AND THE
HOUSING AND ECONOMIC RECOVERY ACT OF 2008
(PUBLIC LAWS 111-5 and 110-289)**

NSP2 GRANTEE: Cuyahoga County Land
~~Revitalization~~ Corporation
Revitalization

NSP2 GRANT NUMBER: B-09-CN-OH-0032

NSP2 GRANT AMOUNT: \$40,841,390

NSP2 APPROVAL DATE: January 14, 2010

NSP2 EXPENDITURE DEADLINE (2 YEAR): February 11, 2012

NSP2 EXPENDITURE DEADLINE (3 YEAR): February 11, 2013

1. This Grant Agreement between the U.S. Department of Housing and Urban Development (HUD) and Cuyahoga County Land ~~Revitalization~~ Corporation (Grantee) is made pursuant to the authority of title XII of Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5 (February 17, 2009)) (Recovery Act) and sections 2301 – 2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 (July 30, 2008)) (HERA). The program established pursuant to section 2301-2304 of HERA is known as the “Neighborhood Stabilization Program” or “NSP.” The term “NSP2” refers to the second appropriation of NSP funds provided under the Recovery Act. The Notice of Fund Availability for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment, 2009 (Docket No. FR-5321-N-01, May 4, 2009) (NOFA); the three Notices of Fund Availability for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009, Correction (Docket No. FR-5321-C-02, June 11, 2009; Docket No. FR-5321-C-03, November 9, 2009; and Docket No. FR-5321-C-04); the Recovery Act; HERA; the Grantee’s application for NSP2 assistance (Grantee Application); the HUD regulations at 24 CFR Part 570 (as modified by the NOFA as now in effect and as may be amended from time to time) (Regulations); and this Funding Approval, including any special conditions, constitute part of the Grant Agreement. In the event of a conflict between a provision of the Grantee’s Application and any provision of this Grant Agreement, the latter shall control.

2. The Grantee shall comply with governmentwide guidance and standard award terms established by the Office of Management and Budget (OMB) concerning the implementation of the Recovery Act, including *Requirements for Implementing Sections 1512, 1605, and 1606 of the American Recovery and Reinvestment Act of 2009 for Financial Assistance Awards*, 74 Fed. Reg. 18449 (April 23, 2009) (to be codified at 2 CFR part 176) (as now in effect and as may be amended from time to time). The Grantee shall comply with reporting requirements established by HUD and OMB (including all revisions to such reporting requirements), as well as section 1553 of the Recovery Act (including implementing guidance).
3. Subject to the provisions of this Grant Agreement, HUD will make NSP2 Grant Funds in the amount of \$40,841,390 available to the Grantee upon execution of this Grant Agreement by the parties. Of that amount, \$10,210,348 must be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income, pursuant to the Recovery Act and HERA. The Grantee shall have 24 months from the date of HUD's execution of this Grant Agreement to expend half of the NSP2 Grant amount pursuant to the requirements of this Agreement, the Recovery Act, HERA and the NOFA, as amended. The Grantee shall have 36 months from the date of HUD's execution of this Grant Agreement to expend the total NSP2 Grant amount pursuant to the requirements of this Agreement, the Recovery Act, HERA and the NOFA, as amended. The NSP2 Grant Funds may be used to pay eligible costs arising from eligible uses incurred after the NSP2 Approval Date provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-award planning and general administrative costs may not be paid with funding assistance except as permitted in the NOFA, as amended. Other pre-award costs may not be paid with funding assistance except as permitted by 24 CFR 570.200(h); for purposes of NSP2, such costs are limited to those incurred on or after the date that the NSP2 NOFA was published by HUD.

If the Grantee's NSP2 Grant Amount is less than the amount requested in the Grantee's NSP2 Application, the Grantee must submit a Revised Budget and Activity List, (see Appendix A), with the executed copy of this Grant Agreement. The Grantee is reminded that the Revised Budget and Activity List must still comply with the requirements of the NSP2 NOFA. Specifically, the Grantee is required to 1) return a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminate or mitigate the negative effects on the stability of the target geography and 2) ensure that the target geography in which the Grantee intends to carry out NSP2 activities has an average combined needs index score of 18 or greater.

4. For any project within the jurisdiction of a consortium member that is a unit of general local government, Indian tribe or State, the unit of general local government, Indian tribe or State agrees to assume all of the responsibilities for environmental review, decisionmaking, and actions, as specified and required in regulations issued by the Secretary pursuant to section 104(g) of Title I of the Housing and Community

Development Act, as amended (42 U.S.C. 5304) and published in 24 CFR Part 58. For any project that is outside the jurisdiction of any consortium member that is a unit of general local government, Indian tribe or State, the grantee agrees to coordinate with HUD to receive approval for activities in compliance with 24 CFR part 50 environmental review requirements. The grantee will supply HUD with all available, relevant information necessary for HUD to perform for each property any environmental review required by 24 CFR part 50. The grantee agrees to carry out any mitigating measure required by HUD or select alternate eligible property. The grantee agrees that it will not acquire, rehabilitate, demolish, convert, lease, repair or construct property and not commit or expend HUD or local funds for these program activities with respect to any eligible property until HUD approval of the property is received.

5. The Grantee agrees that it will demolish or convert units using NSP2 funds only to the extent and scope described in the NSP2 application. The Grantee agrees that under no circumstances will NSP2 funds be used to demolish any public housing (as defined in section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a)).
6. The Grantee agrees to comply with the Recovery Act provisions concerning tenant protections applicable to NSP2 acquisitions of foreclosed property. The Grantee must document its efforts to ensure that the initial successor in interest (ISII) in a foreclosed upon dwelling or residential real property (typically, the initial successor in interest in property acquired through foreclosure is the lender or trustee for holders of obligations secured by mortgage liens) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. The Grantee will not use NSP2 funds to finance the acquisition of property from any initial successor in interest that failed to comply with applicable requirements unless the Grantee assumes the obligations of such initial successor in interest with respect to bona fide tenants. If the Grantee elects to assume such obligations, it may only do so if the tenant is still occupying the property and will provide any tenant displaced as a result of the NSP2 funded acquisition with the assistance outlined in 24 CFR 570.606. If the Grantee knows that the ISII did not comply with the NSP tenant protection requirements and vacated the property contrary to the NSP requirements, NSP2 funds cannot be used to acquire such properties.
7. The Grantee further acknowledges its responsibility for adherence to all applicable terms and conditions of this grant award by sub-recipient entities and contractors, including obtaining a DUNS number (or updating the existing DUNS record), and registering with the Central Contractor Registration. The DUNS number shall be provided by the Grantee on the execution page of this agreement.
8. This Grant Agreement may be amended only with the prior written approval of HUD. Changes that affect program design elements that HUD considered in rating NSP2 applications may result in HUD re-rating the application. In considering proposed amendments to this Grant Agreement, HUD shall also review, among other things, whether the amendment is otherwise consistent with the Recovery Act, HERA, the NOFA, as amended, and the Regulations.

9. The Grantee may not amend its Grantee Submission other than as described above; however, such amendments will be subject to the requirements of the NOFA and any revisions HUD may make to the NOFA (or any successor Notice or regulation).
10. The Grantee must respond in writing to any citizen complaint within 15 working days, if feasible, and send a copy of the response to HUD. The Grantee shall at all times maintain an up-to-date copy of its Grantee Application, including all amendments approved by HUD, on its Internet website. Further, the Grantee shall maintain information on all drawdowns, deposits, and expenditures of grant funds and program income under this Funding Approval and Grant Agreement and any other records required by 24 CFR 570.506 and the NOFA, as amended, in its files and shall make such information available for audit or inspection by duly authorized representatives of HUD, HUD's Office of the Inspector General, the Recovery Act Transparency Board or the Comptroller General of the United States.
11. The Grantee is advised that providing false, fictitious or misleading information with respect to NSP2 Grant Funds may result in criminal, civil or administrative prosecution under 18 USC § 1001, 18 USC § 1343, 31 USC § 3729, 31 USC § 3801 or another applicable statute.
12. Close-out of this grant shall be subject to the provisions of 24 CFR 570.509 or such close-out instructions as may hereafter be issued by HUD specifically for NSP2 grants.

Special Conditions: Not applicable

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Appendix A (Electronic Version)

NSP2 Grantee Entity Name:
 DUNS Number:
 Grant Number:

Cleveland-Cuyahoga Consortium for NSP 2
83-106-0244
B-09-CN-)H-0032

Revised Budget and Activity List

CDBG Eligible Activity	Responsible Entity	Proposed Budget Amount in NSP2 Application (in \$)	Proposed # of Units to be Assisted in NSP2 Application	**Revised Budget Amount Based on NSP2 Award (in \$)	Revised # of Units to be Assisted Based on NSP2 Award
570.201(a),(b) Acquisition/Disposition, 570.202 Rehabilitation/Reconstruction, 570.204 New Construction	Cuyahoga County	\$6,225,000	103	\$3,410,297	57
	City of Cleveland	\$18,675,000	312	\$10,184,343	171
24 CFR 570.201(d) clearance of Blighted structures only.	City of Cleveland	\$8,625,000	825	\$4,760,000	454
	CCLRC	\$2,875,000	275	\$1,576,250	151
24 CFR 570.201 (a),(b) Acquisition/Disposition	CCLRC	\$2,250,000	150	\$600,000	40
24CFR 570.201 (a),©	City of Cleveland	\$1,125,000	113	\$1,088,819	72
	CCLRC	\$375,000	37	\$362,940	24
570.201(n) Homeownership Assistance	Cuyahoga County	\$2,060,000	See Ten	\$1,144,250	See Ten
	City of Cleveland	\$6,240,000	See Eleven	\$3,420,000	See Eleven
24 CFR 570.201 (a),(b)	CMHA	\$7,950,000	75	\$5,300,000	50
	CCLRC	\$10,695,000	178	\$4,910,348	85
Administration	All	\$7,455,000	N/A	\$4,084,143	N/A
Total		\$74,550,000	2068	\$40,841,390	1104

NOTE: This Revised Activity List must still comply with the NSP2 NOFA’s requirement to return a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminate or mitigate their negative effects on the stability of the target geography. Grantees are also reminded that the target geography in which the Grantee will carry out NSP2 activities must maintain an average combined needs index score of 18 or greater.

**Attach a revised project completion schedule, as applicable, showing 1) milestones for each critical management action over the 36-month period, 2) start and end dates of NSP2 assisted activities, 3) expected metrics and results, 4) 50% of funds awarded, expended in 2 years from date (February 11, 2010) that HUD signed grant agreement, and 5) 100% of funds awarded, expended in 3 years from date (February 11, 2010) that HUD signed grant agreement.

Appendix A (Electronic Version)

		Demolition Activities	
	As Proposed in the NSP2 Application		Revised Based on NSP2 Award
Number of low- and moderate-income dwelling units reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.	1,100		605
Number of NSP2 affordable housing units reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP2 activity providing such housing (including a proposed time schedule for commencement and completion*).	Investor Loans: 415, 120% to 51% of Md. Rental Project Development Assistance: 253, 50% and below of MD.		Investor Loans: 228, 120% to 51% of Md. Rental Project Development Assistance, 135, 50% and below of Md.
*Provide description of new time schedule here: Number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.	253		135
The Grantee's total NSP2 grant request:			\$74,550,000
The Grantee proposed to expend how much of the total NSP2 funds requested on demolition activities:			\$11,500,000
The proposed expenditure on demolition activities / NSP2 funds requested: (as a %)			15%
The Grantee's actual NSP2 grant amount:			\$40,841,390
Based on the actual award amount, the Grantee now budgets how much of the total for demolition activities:			\$6,325,000
The expected expenditure on demolition activities / total NSP2 funds awarded: (as a %)			15.49%

**Demolition Exception Request
Cleveland-Cuyahoga Consortium for NSP2**

Neighborhood Stabilization Program 2
March 8, 2010

The Consortium hereby requests an exception from the 10% limitation for NSP2 funds to be used for demolition. Our revised application request is for a total of \$40,841,390 with demolition and deconstruction budgeted for a total of \$6,336,916 or **15.4%**. this percentage remains the same as in our original submission on July 15, 2009

The Consortium believes that it is essential to address a significant number of negative effects in the 20 target areas in order to revitalize these areas and their housing markets. It is clear from our analysis that Cleveland and inner Cuyahoga County have an excess of housing units for the current and expected population and housing market. In addition to this decrease in demand, the subprime and foreclosure crises have caused a significant increase in vacant deteriorated houses.

Over the past 10 years, Cleveland and Cuyahoga County have demolished a significant number of deteriorated houses. Over the past two years, Consortium members (the City, County and CMHA) have demolished 2,662 houses. Our analysis of the Target Areas, however, indicates that there are still many vacant houses in deteriorated condition. These houses are unlikely to ever be absorbed by the market and provide quality housing, and in any event substantially deteriorate the potential housing sale market.

Demolition and Neighborhood Market Recovery

To restore market confidence in each target area it is essential that buyers and neighbors know that blighted conditions will be addressed. The ability of the CCLRC to obtain significant site control is the first step to create a platform to build confidence. The second is to create a critical mass of positive outcomes. NEO CANDO reports that in the 8.9% of the homes in the 20 target areas there are vacant and distressed. The percentage of vacant properties varies greatly among target areas ranging from 2.4% to 17.4%.

Cleveland's first look Opportunity Housing experience and its experience with HUD low value properties shows that in fragile and transitional markets two houses must be demolished for every one saved. The Cleveland-Cuyahoga Consortium proposes a similar ratio of intervention.

Even in the most distressed of our target areas, we expect that the demolition activity will affect no more than 11% of the residential properties. This will retain significant neighborhood character and fabric on which to build a new market.

The Consortium proposal also funds expansion of the Re-Imagining Cleveland program which encourages productive, interim uses of vacant lots. 87 such lots will become

gardens, other community assets or opportunities for yard expansion. All of these interventions will add value to the neighborhood and support market recovery.

Our request, therefore, is based on our desire to stabilize the 20 target areas through a combination of focused but aggressive demolition, acquisition/rehabilitation of vacant qualifying houses for homeownership, provision of additional affordable housing, and the reuse of vacant land. We are also combining demolition with the following forward-looking programs (see pages 35 and 36 of part b. of our application):

- 1) Deconstruction: A total of 55 units will be “deconstructed,” carefully reusing components of demolished houses where possible .
- 2) Acquisition/Stabilization: The CCLRC will acquire 20 units, either for demolition, or as a result of NSP2 demolition activity. The land resulting from the acquisitions will be held by the CCLRC and combined with other non-NSP2 acquisitions that are part of CCLRC’s mission to allow usable projects to be developed within 10 years.
- 3) Land Reutilization: 87 units are proposed to be acquired and utilized for “green” strategies and conversion to uses such as community gardens, parks and urban farms.

City of Cleveland NSP 2 Benchmarks

Investor Rehab Loans/Homebuyers Assistance

- A. Assignment of Staff and Selection of Contractors: Within 120 days after HUD's issuance of a Grant Agreement to the CCLRC, Grantee will assign staff sufficient to carry out its responsibilities under this Agreement, and select contractors (if any) to carry out investor loan application processing, underwriting, and origination on its behalf through a Request for Qualifications process administered by the Cleveland Department of Community Development under City procedures.
- B. Outreach to Investors: Within 120 days after HUD's issuance of a Grant Agreement to the CCLRC, Grantee will hold public meetings for interested investors to explain the rules and procedures of its NSP2 funded investor loan program, at times and locations convenient to the real estate investor community, with involvement of the leadership of each Cleveland NSP2 target area.
- C. Acceptance of Applications: Within 180 days after HUD's issuance of a Grant Agreement to the CCLRC, Grantee or its selected contractor will begin to accept and process investor loan applications.
- D. Recruitment of Buyers: Within 240 days after HUD's issuance of a Grant Agreement to the CCLRC, Grantee will begin to recruit qualified buyers for the houses renovated by its investors (or newly constructed if allowed by the CCLRC's Grant Agreement).
- E. First Year Benchmark for Loans: Within 1 calendar year after HUD's issuance of a Grant Agreement to the CCLRC, at least 50% of the authorized number of investor loans will be in process with specific property addresses identified.
- F. Second Year Benchmark for Loans: Within 2 calendar years after HUD's issuance of a Grant Agreement to the CCLRC, 100% of the authorized number of investor loans will be in process with specific property addresses identified.
- G. Second Year Benchmark for Expenditures: Within 2 calendar years after HUD's issuance of a Grant Agreement to the CCLRC, 50% of the funds available to Grantee under this Agreement will be expended by Grantee.
- H. Third Year Benchmark for Funds Disbursement: Within 3 calendar years after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, 100% of the funds available to Grantee under this Consortium Funding Agreement will be expended by Grantee.

Demolitions

- A. Assessment of vacant and abandoned structures to determine whether they are blighted in accordance with standards outlined in the CCLRC-NSP 2 application or are determined to have not economic value.
- B. Following all federal, city, and state requirements:
Complete the demolition of 180 units by February 11, 2011, 360 units by February 11, 2012, and 413 units by February 11, 2013.
- C. Using state of the art deconstruction techniques, complete the deconstruction of 7 units by February 11, 2011, and 14 units by February 11, 2012.

Land Reutilization

- A. By February 2011 the City will have selected and funded 20 land bank lots for reutilization improvements.
- B. By February 2012 the city will have selected and funded an additional 30 land bank lots for reutilization improvements.
- C. By February 2013 the City will have selected and funded all 72 lots land bank lot scheduled reutilization improvements under NSP 2 city activities.

CCLRC NSP2 Benchmarks

- A. Within 30 days of a completed grant agreement with HUD, the CCLRC will finalize consortium agreements with all other consortium members.
- B. Within two weeks after submission of consortium agreements, the CCLRC will convene an NSP 2 Working Group, comprised of representatives from each consortium member meeting with all consortium members represented. Starting in month 4, meetings will be held monthly for the remainder of 2010.
- C. The CCLRC will monitor the performance of the consortium members based on goals and performance standards as stated in the consortium agreements. Substandard performance will constitute non-compliance with the consortium agreement. If corrective action is not taken by the consortium member within a reasonable period of time after being notified by the Lead Member, contract suspension or termination procedures will be initiated.
- D. By December 31, 2010, the CCLRC will have:
 - Completed 40 demolitions, 4 through deconstruction.
 - Acquired and mothballed 5 units for future rehabilitation.
 - Undertaken Land Reutilization activities on five vacant lots
- E. In accordance with the consortium agreements, an annual review and evaluation of progress will be made one year after the NSP 2 grant agreement is signed. In the event a consortium member fails to meet the production and performance levels established, the Lead Member, in consultation with the steering committee comprised of all consortium members, may reallocate funds covered by each consortium agreement.
- F. In February 2011, the Lead Member will determine the Working Group meeting schedule for 2011.
- G. In 2011, the CCLRC will:
 - Complete 60 demolitions, 4 through deconstructions,
 - Acquire and mothball 5 units for future rehabilitation.
 - Undertaken Land Reutilization activities on seven vacant lots.
 - Fund the development of 40 Rental Development units
- H. In accordance with the consortium agreements, an annual review and evaluation of progress will be made two years after the NSP 2 grant agreement is signed. In the event a consortium member fails to meet the production and performance levels established, the Lead Member, in consultation with the steering committee comprised of all consortium members, may reallocate funds covered by each consortium agreement
- I. By February 2012, the CCLRC will have expended 50% of all funds awarded.

- J. In 2012, the CCLRC will:
- Complete 51 demolitions, 5 through deconstruction.
 - Acquire and mothball 30 units for future rehabilitation.
 - Undertake land Reutilization activities on 12 vacant lots.
 - Fund the development of 45 Rental Development units.
- K. By February 2013, the CCLRC will have expended 100% of its awarded funds.

Cuyahoga Metropolitan Housing Authority
NSP 2 Benchmarks
Rental Housing

- A. Assignment of Staff and Selection of Contractors: Within one hundred twenty (120) days after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, Grantee will assign staff sufficient to carry out its responsibilities under this Consortium Funding Agreement.
- B. Within six (6) months the grantee will procure an A & E firm to design and develop specs, as needed, for projects.
- C. Within twelve (12) months the grantee will acquire all properties needed for the construction or rehabilitation of fifty (50) rental units.
- D. Within fifteen (15) months the grantee will complete design work with all necessary approval, and bid out construction work
- E. Within eighteen (18) months the grantee will secure all necessary financing for the projects.
- F. Within eighteen (18) months the grantee will retain contractor(s) and begin construction.
- G. Within two years (2) the grantee will expend fifty percent (50%) of the funds allocated to these projects
- H. Within thirty-six (36) months the grantee will expend one hundred percent (100%) of NSP2 funds allocated to the projects, complete construction or rehabilitation of 50 units and lease up to qualified tenants.

Cuyahoga County NSP2 Benchmarks
Investor Loans/Homebuyers Assistance

- A. Assignment of Staff and Selection of Contractors: Within 120 days after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, Cuyahoga County will assign staff sufficient to carry out its responsibilities under this Consortium Funding Agreement.
- B. Outreach to Investors: Within 120 days after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, Cuyahoga County will select qualified investors to acquire, renovate, and re-sell or lease vacant and foreclosed houses, and to build new houses if so directed, with involvement of the leadership of each balance of County NSP2 target area community.
- C. Acceptance of Applications: Within 180 days after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, Cuyahoga County will begin to accept and process investor loan applications.
- D. Recruitment of Buyers/Renters: Within 240 days after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, Cuyahoga County will begin to recruit qualified buyers or renters for the houses renovated by its investors (or newly constructed if allowed by the LRC's Grant Agreement). This activity may be done by the investors themselves using duly qualified and licensed real estate brokers and agents.
- E. First Year Benchmark for Loans: Within 1 calendar year after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, at least 50% of the authorized number of investor loans will be in process with specific property addresses identified.
- F. Second Year Benchmark for Loans: Within 2 calendar years after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, 100% of the authorized number of investor loans will be in process with specific property addresses identified.
- G. Second Year Benchmark for Expenditures: Within 2 calendar years after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, 50% of the funds available to Cuyahoga County under this Consortium Funding Agreement will be expended by Cuyahoga County.
- H. Third Year Benchmark for Funds Disbursement: Within 3 calendar years after HUD's issuance of a Grant Agreement to the Land Reutilization Corporation, 100% of the funds available to Cuyahoga County under this Consortium Funding Agreement will be expended by Cuyahoga County.