Special Attention of:	**Notice:**	**H 2011-02**
All Homeownership Directors	**Issued:**	**January 24, 2011**
All Real Estate Owned (REO) Directors	**Expires:**	**January 31, 2012**
All Interested Parties		
	HN 09-01 (superseded)	

Subject: Revitalization Area Evaluation Criteria - Single Family Property Disposition

The purpose of this Housing Notice is to provide procedures for evaluating and designating revitalization areas. This Housing Notice supersedes and replaces Housing Notice 09-01, dated January 9, 2009.

Properties located in Revitalization Areas are offered for sale at a discount through discount sales programs, such as the Asset Control Area and Good Neighbor Next Door programs, and to certain governments and nonprofits. Areas designated as revitalization areas must be in neighborhoods with very low income, low homeownership or a disproportionately high concentration of delinquent or foreclosed properties. In addition to meeting one of the above requirements, revitalization areas must be areas where the average sales price of HUD real estate owned (REO) properties is $200,000 or less, as described in the revitalization area designation criteria.

This notice is being issued in accordance with section 204(g) of the National Housing Act.

Approval Authority

Home Ownership Center (HOC) Directors are responsible for the review of revitalization area requests from various stakeholders, including but not limited to local governments, States, and nonprofits. They are also responsible for revitalization area designation determinations and management of revitalization areas as authorized by Delegations of Authority for the Office of Housing-Federal Housing Administration (FHA); Redelegation of Authority Regarding Single Family Housing Programs, 71 Fed. Reg. 60173, 60177-60178 (October 12, 2006).

Revitalization Area Designation Criteria

Revitalization areas must have an average HUD REO sales price of $200,000 or less [as determined by calculating the average sales price of HUD REO properties within the identified area that reached closed sale status (closed sale status is Step 9 in the HUD REO process) in the previous 12 months] and meet one or more of the following criteria:

(A)   *Very Low Income Area*: The median household income for the area is less than 60 percent of the median household income for:

   i.   in the case of any area located within a metropolitan area, such metropolitan area; or

        ii. in the case of any area not located within a metropolitan area, the state in which the area is located.

Documentation from HOC staff should contain the most current and relevant sources of data and may include a map (based on current Census data) demonstrating that the proposed revitalization area meets the income criteria of 60 percent of median income. Census data for the larger area (city/county/metropolitan area or state) should also be obtained for comparison. Information included in a local HUD-required Consolidated Plan[1] may be useful. Additional data may include locally-generated demographic data that clearly illustrates how the area meets this criterion.

    (B)   *High Concentration of Eligible Assets*: A high rate of default or foreclosures for single family mortgages insured under the National Housing Act has resulted, or may result, in the area:

        i. having a disproportionately high concentration of eligible assets, in comparison with the concentration of such assets in surrounding areas, or

        ii. being detrimentally impacted by eligible assets in the vicinity of the area.

The term "eligible assets" refers to HUD REO single-family properties located within an area.

Supporting documentation from the HOC staff must establish that an area has a **disproportionately** high concentration of HUD REO properties when compared with surrounding areas. HOC staff should send a memorandum to the HOC Director, with maps where possible, supporting this factor for revitalization area designation.

    (C)   *Low Homeownership Rate*: The rate for homeownership of single family homes in the area is substantially below the rate for homeownership in the metropolitan area. Homeownership rates that are less than 60% in an area are considered substantially below.

Homeownership rate is the proportion of owner-occupied housing units compared to all occupied housing units. It is computed by dividing the number of owner-occupied housing units in a given area by the total number of "housing units" in that area as defined by the U.S. Bureau of the Census in Housing Vacancy Survey 2000 Definitions and Explanations. This Survey can be found at www.census.gov/hhes/www/housing/hvs/annual00/ann00def.html. In circumstances where the homeownership rate is more than 60%, the HOC staff on a case-by-case basis, will send a brief supporting memorandum to the HOC Director that denotes why the area should be designated as a revitalization area.

For the purpose of this Housing Notice, the term "Metropolitan area" shall have the meaning set forth in U.S. Bureau of the Census, Decennial Management Division Glossary, for "Metropolitan Statistical Area (MSA)". The Decennial Management Division Glossary can be found at

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[1] See, Tools and Guidance, for additional information on HUD's Consolidated Plan program.

www.census.gov/dmd/www/glossary.html.

Documentation from the HOC staff should include a map substantiating a comparison of the single family homeownership rate of the proposed revitalization area with that of the metropolitan area or state, as applicable, as well as other local demographic data that supports the designation decision.

Proposals for Revitalization Area Designation

Consideration of areas for revitalization area designation or revisions to existing revitalization areas may be initiated by an affected unit of general local government, State, Indian tribe, an interested nonprofit organization or other stakeholders by sending a written request to the appropriate HOC Director or the HOC Director's designee.

Evaluating Proposed Revitalization Area Designations

HOC staff, at the direction of the HOC Director, shall review and evaluate all proposals for designating revitalization areas according to this Directive and will notify the requesting party of its decision within 60 calendar days of receiving such a request.

Staff shall consult with affected units of general local government and interested non-profit organizations as a part of the process for revitalization area designation.

HOC staff is also encouraged to consult with Community Planning and Development (CPD) staff to promote consistency between Housing's revitalization area designation and other HUD-related activities. Staff may note entitlement areas where governmental entities have already consulted with HUD and are operating under HUD-approved Consolidated Plans (and Empowerment Zone Plans, if applicable), which may include Neighborhood Revitalization Strategy Areas (NRSAs).

Designations of new revitalization areas or modifications to existing revitalization areas under this Directive must be based on the application of *at least one* of the above-referenced criteria set forth in this Directive, with specific emphasis on areas with a history or a current inventory of Real Estate Owned (REO) single-family assets.

HOC staff shall avoid randomly grouped designated Census Block Groups (CBGs) adjacent to groups of non-designated CBGs, or areas of designated CBGs surrounding a single or small number of undesignated CBGs without apparent reason. CBGs should be used as a tool to assist in identifying the character of a proposed area as measured by one of the revitalization area designation criteria, rather than each CBG being the isolated focus of analysis.

Onsite inspection of proposed revitalization area neighborhoods should be conducted, if feasible.

Managing Revitalization Area Designations

Revitalization areas are established by each HOC for their respective jurisdictions. The management of revitalization areas is a continuing process of evaluating continued eligibility for existing revitalization areas and proposed revitalization areas. Changes in revitalization areas occur on a quarterly schedule beginning and ending with the federal fiscal year.

HUD will consult with affected units of general local government and interested non-profit organizations when modifications involve additions to designated areas. Removing ineligible CBGs is mandatory but HUD will consult with affected units of general local government and interested non-profit organizations as a matter of courtesy and full disclosure.

The Office of Single Family Asset Management (OSFAM) will issue a schedule during the first quarter of each fiscal year, establishing a period of time when revised revitalization area data must be submitted by the HOCs to the designated recipient named in the annual submission schedule announcement. Each submission should be a complete restatement of all CBGs approved as revitalization areas within the HOC's jurisdiction, updated with additions and deletions of CBGs.

Proposals from the HOCs for designating new revitalization areas or changing existing designations are to be compiled in a Revitalization Area Report (RAR) listing all CBGs having a revitalization area designation. The RAR must be in the form of an Excel spreadsheet displaying all of the CBGs in the submitting HOC's jurisdiction. The RAR must include the census data elements listed below, and only these elements in the order shown in the example below, recorded in the format described below for each CBG. (Click on this link, Federal Information Processing Standards (FIPS), for an explanation of census bureau codes by the U.S. Bureau of the Census.)

Each Excel field must be formatted as a **TEXT** field.

- **Federal Information Processing Standards (FIPS)** – This field is a summary of the STATEFIPS, COUNTYFIPS, TRACTFIPS and BLKGRP fields. Each of these fields is defined below.

- **NAME –** A field is provided for inserting a revitalization area name. HOC staff should assign names to groups of CBGs that facilitate understanding and managing revitalization areas, keeping in mind that:

  o Grouping large numbers of CBGs under one name may result in large maps that are unwieldy to manipulate and difficult to view in a single onscreen image.
  o Using zip codes as a naming convention poses some problems that should be considered:
    ▪ A zip code boundary may bisect a CBG. Assign a split CBG to one or the other of the affected zip codes to avoid an arbitrary assignment by the mapping software.
    ▪ Zip code boundaries may cross local government boundaries. CBGs in different local government areas should not be grouped together.
    ▪ The zip code is a naming convenience only. Do not use zip code boundaries as the basis for designating a revitalization area. While a decision may be reached resulting in all CBGs in a zip code being designated as a revitalization area, the analysis must begin at the CBG level.
- **STATEABBR** – The state abbreviation for the STATEFIPS.
- **COUNTYNAME** – The county name for the COUNTYFIPS.
- **STATEFIPS** - The 2000 FIPS code assigned to each state (2 characters). *Each state and statistically equivalent entity is assigned a two-digit numeric Federal*

Information Processing Standards (FIPS) code in alphabetical order by state name, followed in alphabetical order by Puerto Rico and the Island Areas.

When entering this code, please make sure that the leading 0s are preserved. For example, the code for Colorado is 08 and should be entered as such, not as 8. Please make sure that the Excel field is formatted as a TEXT field. If not, the leading 0's will be truncated after the code is entered.

- **COUNTYFIPS** - The 2000 FIPS code assigned to each county (3 characters). Assigns *each county and statistically equivalent entity a three-digit Federal Information Processing Standards code that is unique within the state. These codes are assigned in alphabetical order of county or county equivalent within the state, except for the independent cities which are assigned codes higher than and following the listing of counties.*

When entering this code, please make sure that the leading 0s are preserved. For example, the code for Adams County, Colorado is 001 and should be entered as such, not as 1. Please make sure that the field is formatted as a TEXT field. If not, the leading 0's will be truncated after the code is entered.

See http://www.census.gov/geo/tigerline/append_a.pdf *for a list of state and county codes and names*.

- **TRACTFIPS** - The 2000 Census code assigned to each census tract (6 characters). *A four-digit basic number with a two-digit numeric suffix identifies census tracts. If the census tract does not have a suffix, the suffix will be blank or o filled with a zero. The decimal point separating the four-digit basic tract number from the two-digit suffix is shown in the printed reports and on census maps. Every tract entry field must use 6 characters.*
  The decimal points are not used.

  Include leading 0s if the basic tract number is less than four characters. If the tract does not include a suffix, then add a 00 at the end. Whether or not the suffix is real or implied (00), please remember to **not** include the decimal point. Please make sure that the field is formatted as a TEXT field. If not, the leading 0s will be truncated after code is entered. Use the following examples as a guideline for formatting the census tract code:

2000 Census Tract Name	Required Format for the TRACT Field
	(six (6) characters required)
1	000100
11	001100
111	011100
1111	111100
1.01	000101
11.12	001112

Note: It is necessary to uniquely list each designated CB in a census tract.

- **BLKGRP** – The 2000 Census Block Group (CBG) code assigned to each block group (1 character). *A block group is a cluster of census blocks within the same census tract. Block groups are numbered 1 – 9.*
- **COMMENTS** – Comments for the record.
- **HOC** - The name of the Homeownership Center.

EXAMPLE
RAR ROW ENTRY FOR SINGLE CENSUS BLOCK GROUP

FIPS	NAME	STATE ABBR	COUNTYNAME	STATE FIPS	COUNTY FIPS	TRACT FIPS	BLK GRP	COMMENTS	HOC
020200006003	ANCHORAGE	AK	Anchorage Municipal	02	020	000600	3		SA

Send Revitalization Area Reports electronically to the Office of Single Family Asset Management, Asset Management and Disposition Division, to the person named in the annual submission schedule announcement. The designated recipient of the submissions will transmit the data to the Geo-Code service center for processing.

HOC staff shall forward the RAR, accompanied by a Certification (Exhibit A), to the Deputy Assistant Secretary for Single Family Housing. The Director, Homeownership Center, or a designee of that office may sign the Certification. The Certification statement in an email shall be sufficient.

The OSFAM designated recipient will review the RAR for formatting errors. Errors will be communicated to the HOC staff person submitting the data and assistance will be provided to correct the error(s).

The designated recipient's review does not evaluate the appropriateness of proposed designations. Errors on the data sheets will not be corrected. HOC staff shall make all corrections and resubmit the datasheet.

Upon validation of the data submitted by all HOCs, the designated recipient will transmit the data to HUD's Geo-Code service center for processing. The Geo-Code service center will accept one submission combining the data from all four HOCs. Therefore, HOC staff should complete and submit the quarterly updates as expeditiously as possible in order to avoid delay.

Immediately upon completion of the geo-coding process, the designated recipient for revitalization area designations will confirm the completion via e-mail to the HOC Directors. Areas identified in the geocoding validated data submission are HUD's official record of active revitalization areas.

The address of each newly acquired single family asset is compared to revitalization area geo-coding data. Properties located in an active revitalization area are electronically given a designation in the Single Family Acquired Asset Management System (SAMS).

Paperwork Reduction Act

The information collection requirements in this notice have been approved by OMB under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (PRA) and assigned OMB Control Number 2502-0566. In accordance with the PRA, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

For Further Information

Concerns from stakeholders about the accuracy of a specific property designation in SAMS should be directed to the Real Estate Owned Division in the related HOC. This communication will result in an inquiry to the designated HOC staff person for further investigation and correction, if required.

Questions regarding the implementation of this Directive should be directed to the HOC having jurisdiction over the area under consideration. A directory of HOCs may be found at http://www.hud.gov/offices/hsg/sfh/hoc/hsghocs.cfm.

General questions regarding revitalization areas should be directed to the FHA Resource by calling 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens
Assistant Secretary for Housing –
    Federal Housing Commissioner

EXHIBIT A

<letterhead>

MEMORANDUM FOR:　　　 , Deputy Assistant Secretary
　　　　　　　　　　　　 for Single Family Housing, HU

FROM:

Subject: Certification required by Housing Notice H　　　-

This certifies that the Census Block Groups shown in the accompanying Revitalization Area Report have been evaluated in accordance with the Housing Notice and represent the currently approved Revitalization Areas under management by this HOC.

Name:　　　　　　　　　　　　　　　　　　　　　　　Date: