



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

All Homeownership Directors
All REO Directors
All Real Estate Owned Branch Chiefs
All Management and Marketing Contractors
All Single Family Supervisory Loan Specialists
All Interested Parties

Notice: H 09-01
Issued: January 9, 2009
Expires: January 31, 2010

Cross References:

12 U.S.C. 1701 *et seq.*; 42 U.S.C. 1441, 1441a,
1551a, and 3535(d)
24 CFR Part 291, Subpart F
HN -05-07 (superseded)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 by the Office of Single Family Housing. This Housing Notice supersedes and replaces Housing Notice 05-09, dated April 6, 2005. (While the substance and procedure described in this Directive is substantively the same as in preceding Directives, confusion may result from referencing the expired document.)

Section 204(h)(3) of the National Housing Act, 12 U.S.C. 1710(h)(3), (Act), sets forth standards for designating geographic areas as Revitalization Areas. HUD has chosen to use these standards to designate revitalization areas pursuant to the Secretary's authority granted by Section 204(g) of the Act. Under these standards, HUD may designate revitalization areas for the purpose of expanding homeownership opportunities by offering for sale, at a discount off the list price, HUD-owned single-family properties located in neighborhoods with very low income, low homeownership or a disproportionately high concentration of delinquent or foreclosed properties. Revitalization areas are used to identify properties eligible for disposition through discount sales programs.

In addition, the Office of Single Family Housing uses revitalization areas to identify properties eligible for disposition through discount sales programs, including the Good Neighbor next Door Sales program, 24 CFR Part 291, subpart F, and discount sales to HUD-approved nonprofit organizations and units of general local government, as provided by [24 C.F.R. 291.90\(c\)\(1\)](#)

Approval Authority

Homeownership Center (HOC) Directors have delegated authority to manage the revitalization area program and implement this Directive 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

HUD shall document and designate as revitalization areas only areas that 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 should contain the most current and relevant sources and 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/state) should also be obtained for comparison. Information included in a local HUD-required Consolidated Plan¹ 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 foreclosure 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 acquired FHA-insured single family properties or mortgages on those properties located in a revitalization area.

Supporting documentation must establish that an area has a **disproportionately** high concentration of FHA-foreclosed assets when compared with surrounding areas. HOC staff should prepare a memorandum, 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 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. Whether the homeownership

¹ Click here, [Tools and Guidance](#), for additional information on HUD’s Consolidated Plan program.

rate meets the definition will be determined on a case-by-case basis and HOC staff will prepare a brief supporting memorandum.

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

Documentation 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 HUD or an affected unit of general local government, State, Indian tribe, or an interested nonprofit organization by sending a written request to the appropriate HOC Director or the HOC Director’s designee.

Evaluating Proposed Revitalization Area Designations

Homeownership 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 comply with the requirement at 12 USC §1710(h)(3) to 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 are 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 *one or more* 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.

Reviewers should note that a revitalization area designation that is unrelated to the location of HUD REO properties cannot serve the statutory mandate to promote revitalization through homeownership opportunities. In the event that a unit of general local government, State, Indian tribe, or an interested nonprofit organization requests designation of an area as a revitalization area that has no current inventory of REO or history of REO activity within the past 12 months, the

reasons for the request should be discussed with the proposing party to ensure that the designation will advance the purpose of the Department's mission. Under these circumstances, the boundaries of the requested revitalization areas should cover areas with REO inventory and adjacent areas that might be affected by the presence of REO inventory.

Avoid *checkerboard* patterns of Census Block Groups (CBGs) by which is meant randomly designated CBGs with non-designated CBGs or a cohesive area 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 foregoing 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 now established in all HOC jurisdictions. Therefore, management is a continuing process of evaluation of continued eligibility for existing revitalization areas and evaluation of proposed revitalization areas. This process will 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 adding 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 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. 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 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 concatenation 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:

- 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.
- 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). *Each county and statistically equivalent entity is assigned 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://eire.census.gov/popest/archives/files/fips.txt> 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 zero filled. 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 <i>(six (6) characters required)</i>
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

Revitalization Area Reports are to be sent 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 a contractor charged with maintenance and operation of a mapping service for the purpose of publishing HUD’s designated revitalization areas.

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

The RAR will be reviewed 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).

This 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 contractor 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, staff should complete and submit the quarterly updates as expeditiously as possible in order to avoid delay.

Immediately upon completion of the geo-coding step, the data will be posted to the Public Locator Service (PLS) maps at <http://hud.uai.com/hudpls/>. The Headquarters' point of contact for revitalization area designations will confirm the posting via e-mail to the HOC Directors. Areas identified in the PLS are HUD's official record of active revitalization areas.

The address of each newly acquired single family asset is compared to revitalization area geo-spatial 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 rule 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 about the accuracy of a specific property location indicated by HUD's revitalization area locator service should be directed to the Real Estate Owned Division in the related HOC. This communication will result in an inquiry to the Government Technical Monitor (GTM) for the geographic information system contractor 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/hsghocscfm>.

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

Brian D. Montgomery
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: