

Neighborhood Stabilization Program

- NSP Overview
- Discussion
- Next steps



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Background

- ❑ Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA)
- ❑ Signed by the President on July 30, 2008
- ❑ Section 2301-Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes
- ❑ HUD has assigned name of Neighborhood Stabilization Program

Overview

- ❑ The NSP program will provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities
- ❑ Designed to be implemented quickly

Allocations

- ❑ HERA Provides \$3.92 Billion to assist States and localities in redevelopment efforts
- ❑ Total Illinois allocation is \$172,509,479
- ❑ Amounts determined by formula established by HUD using criteria specified by HERA
- ❑ Considered a Special Allocation of 2008 CDBG Funds



Illinois Allocations

Illinois state entitlement communities that received an NSP Allocation:

Community	NSP Allocation	Local Foreclosure Rate	Local Abandonment Risk
ILLINOIS STATE PROGRAM	\$53,113,044	4.3%	Medium
AURORA	\$3,083,568	6.1%	Medium
CHICAGO	\$55,238,017	6.4%	High
CICERO	\$2,078,351	8.6%	High
COOK COUNTY	\$28,156,321	5.9%	Medium
DU PAGE COUNTY	\$5,176,438	3.7%	Low
ELGIN	\$2,159,623	6.2%	Medium
JOLIET	\$3,531,810	7.2%	High
KANE COUNTY	\$2,576,369	3.9%	Low
LAKE COUNTY	\$4,600,800	3.5%	Low
MCHENRY COUNTY	\$3,085,695	4.0%	Medium
ROCKFORD	\$2,287,004	7.2%	High
ST CLAIR COUNTY	\$2,262,015	5.1%	Medium
WILL COUNTY	\$5,160,424	5.0%	Low

HUD Allocations

- Need is based on number and percent of:
 - Home foreclosures in each State or unit of general local government
 - Homes financed by a subprime mortgage related loan in each State or Unit of General Local Government (UGLG)
 - Homes in default or delinquency in each State or UGLG

Criteria for Local Distribution

- NSP grantees must target funds to give priority emphasis and consideration to areas with greatest need, including those:
 - With the greatest percentage of home foreclosures;
 - With the highest percentage of homes financed by a subprime mortgage related loan; and
 - Identified as likely to face a significant rise in the rate of home foreclosures.

Period to Use Funds

- ❑ NSP grantees must obligate funds to purchase and redevelop abandoned and foreclosed homes and residential properties **no later than 18 months** after execution of the grant agreement
- ❑ NSP grantees have four years to to expend all of the funds.

Grantee Submission of Action Plan

- Action Plan Substantial Amendments due by December 1, 2008
 - Submit to local field office
 - Use Disaster Recovery Grant Reporting (DRGR) System or paper submission

- Joint agreements are permitted

Grantee Submission Time-Line

- Proposed Action Plan Amendment must be placed on the Internet
- 15 day public comment period
- Revisions/resubmissions of disapproved plans are due to HUD 45 days from first disapproval –in no case later than February 13, 2009

General Action Plan Content

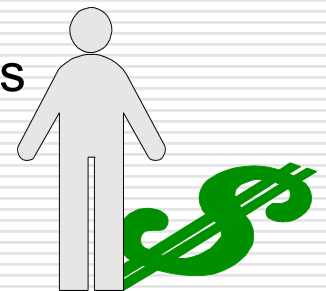
- General information about needs, distribution, definitions, use of funds, etc.
- Information by activity describing how grantee will use the funds
- Description of general terms under which assistance will be provided

Local NSP Targeting - 120% AMI

- All funds must be used to benefit individuals at or below 120% of Area Median Income
 - You can meet this requirement by targeting funds to neighborhoods where more than 51% of persons are less than 120 percent of Area Median Income. Block Groups meeting this requirement are posted on the web.
 - Applies to program on the whole

Local NSP Targeting - 50%AMI

- ❑ 25% of NSP funds must go to serve individuals at or below less than 50% of Area Median Income
 - Meet this requirement by purchase/redevelopment of abandoned/foreclosed residential properties to house individuals or families with incomes at or below 50% AMI.
 - Principal way to comply will be through providing rental housing.
 - Applies to each direct NSP grant, not to each project/activity or the NSP program as a whole
 - Compliance based on dollars, not on number of units



Uses of NSP Funding

- ❑ Five eligible uses specified by HERA
- ❑ Eligible uses have root in CDBG program with exception of land banking provision
- ❑ HUD is tying NSP eligible uses to Entitlement CDBG eligibility provisions

Uses of NSP Funding

Eligible Use

Eligible Activities

A. Establish financing mechanisms for purchase & redevelopment of foreclosed upon homes & residential properties

- As an activity delivery cost for an eligible activity (designing & setting it up)
- Financing of an NSP eligible activity, to carry out that activity, is eligible as part of that activity

Uses of NSP Funding

Eligible Use

B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

Eligible Activities

- Acquisition
- Disposition
- Relocation
- Direct homeownership assistance
- Eligible rehabilitation and preservation activities for homes and other residential properties
- Housing counseling for those seeking to take part in the activity

Uses of NSP Funding

Eligible Use

Eligible Activities

C. Establish land banks for homes that have been foreclosed upon

- Acquisition/temporary management
- Disposition (includes maintenance)

Uses of NSP Funding

Eligible Use

Eligible Activities

D. Demolish blighted structures

Clearance, for blighted structures only

Uses of NSP Funding

Eligible Use

Eligible Activities

E. Redevelop
demolished or
vacant properties

- Acquisition
- Disposition
- Public facilities and improvements
- Housing Counseling (limited to prospective purchasers or tenants of redeveloped properties)
- Relocation

Uses of NSP Funding

Eligible Use

Eligible Activities

E. Redevelop demolished or vacant properties (continued)

- New housing construction
- Direct homeownership assistance
- 570.204 activities by Community Based Development Organizations

Eligible Uses Summary

- ❑ All grant funds must be used for an eligible activity according to HERA
- ❑ HUD must grant written approval for any CDBG activities not listed for that eligible use
- ❑ CDBG regulatory definitions of eligible activities apply to NSP except where specifically modified
- ❑ New housing construction is eligible as redevelopment

Ineligible Activities

Ineligible Activities:

- Generally, if an activity is ineligible under CDBG, it is ineligible under NSP
- Not eligible under HERA:
 - Foreclosure prevention
 - Demolition of non-blighted structures
 - Purchase of properties not abandoned or foreclosed upon

Purchase Discount

- Any purchase of a foreclosed upon home or residential property under NSP should be at a discount from the current market appraised value of the home or property.
 - Current condition must be taken into account
 - Appraisal must be done w/i 60 days prior to offer

Purchase Discount

- Purchase price must include a discount from CMAV
- Grantees must obtain "maximum reasonable discount" from the mortgagee
- Discount should reflect likely carrying costs if the mortgagee were not to sell the property

Portfolio Discount

- Need for flexibility
- Individual v. portfolio
- Individual property minimum – 5%
- Portfolio average minimum – 15%
- Exception – 10%
- Acceptable methodology – based on seller's carrying/holding costs

Sale of Homes

- ❑ Restrictions on the sale of an abandoned or foreclosed upon home to an individual as a primary residence
- ❑ Must be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

Sale of Homes (cont.)

- Maximum sales price for a property is determined by aggregating the costs of acquisition, rehabilitation and redevelopment
- Grantees must maintain sufficient documentation
- Maintenance of the property w/o other NSP assisted activities not considered redevelopment or rehabilitation costs

NSP Program Income

- ❑ Any revenue from the sale, rental, redevelopment, rehabilitation or any other eligible use of NSP funds must be provided to and used by the State or unit of general local gov't.
- ❑ This includes revenue received by a private individual or other entity that is not a subrecipient.
- ❑ Any program income received before July 30, 2013 may be retained by unit of gov't, if it's treated as additional CDBG funds and used for eligible activities

Implementing Plans

- ❑ The use of funds will have heavy oversight
- ❑ Grantees and subrecipients need to move quickly and efficiently
- ❑ Important to understand your municipality/state plan
- ❑ Develop a strategy for immediate impact
- ❑ Keep eyes out for RFP process once plans have been accepted by HUD

Current Status

- ❑ As of 11/10/08 all of the grantees in Illinois except for Aurora had posted their plans on-line for public review & comment.
- ❑ To follow links to each of the plans go to:
<http://www.housingactionil.org/policy-advocacy/nsp.html>

Questions/Discussion

- Advocacy - Changes to the program?
- Capacity - Is there capacity statewide to carry out this work? Are there models we can share/learn from?
- How can nonprofit developers be sure to be involved?
- How can Housing Action assist in this process?

Web Resources

- HUD.GOV
- HUDUSER.ORG
- <http://www.newyorkfed.org/mortgagemaps/>
- LISC.ORG
- Enterprise Community Partners
(enterprisecommunity.org)
- National Vacant Properties Campaign
(vacantproperties.org)
- KnowledgePlex.org / DataPlace.org
- Housingactionil.org

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Q & A



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Notes



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