



Neighborhood Stabilization Program

2008 FORMULA GRANTS

Module 1: Eligible Uses, Activities and Properties, and Income Rules

Neighborhood Stabilization Program

- Funded provision under the Housing and Economic Recovery Act of 2008 (HERA)
- Created to mitigate the negative impact of the nation's economic decline and housing market collapse.
- Intended to stabilize and revitalize communities/areas hit the hardest

NSP Grantees

- 55 States & Territorial Entities
- 254 Cities and Counties



Module 1 Content

- Eligible Uses and Activities
- Eligible Properties
- Overall Benefit
- Qualifying Activities Under the NSP Objective
- 25% Low-Income Set-Aside



Eligible Uses and Activities

Five Eligible NSP Uses

- USE A—Financing Mechanisms
- USE B—Purchase and Rehabilitation of Abandoned or Foreclosed Homes
- USE C—Land Banks
- USE D—Demolition of Blighted Structures
- USE E—Redevelopment of Demolished or Vacant Properties

NSP-Eligible Uses and Correlating CDBG-Eligible Activities

NSP-Eligible Use (A)—Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

Correlates with CDBG-Eligible Activities:

- The eligible activities listed for other NSP Uses to the extent financing mechanisms are used to carry them out.
- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.



NSP-Eligible Uses and Correlating CDBG-Eligible Activities (continued)

NSP-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.

Correlates with CDBG-Eligible Activities:

- 24 CFR 570.201(a) Acquisition, (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (expanded to include LMMI persons).
- 24 CFR 570.202 Eligible Rehab and preservation
- Required Homebuyer counseling for above

NSP-Eligible Uses and Correlating CDBG-Eligible Activities (continued)

NSP-Eligible Use (C)—Establish and operate land banks for foreclosed homes and residential properties

Correlates with CDBG-Eligible Activities:

- 24 CFR 570.201(a) Acquisition and (b) Disposition.
- Required homebuyer counseling for above

NSP Eligible Uses and Correlating CDBG-Eligible Activities (continued)

NSP-Eligible Use (D)—Demolish blighted structures

Correlates with CDBG-Eligible Activities:

- 24 CFR 570.201(d) Clearance, but limited to blighted structures.

NSP-Eligible Uses and Correlating CDBG-Eligible Activities (continued)

NSP-Eligible Use (E)—Redevelop demolished or vacant properties

Correlates with CDBG-Eligible Activities:

- 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries is limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below)
- 570.202, eligible rehabilitation and preservation activities
- 570.204 Special Activities by CBDO's
- Required homebuyer counseling for above





Eligible Properties



Eligible Properties Under NSP

<u>Property Characteristic</u>	<u>Eligible NSP Use Category(ies)</u>	<u>Types of Eligible Activities</u>
• Foreclosed upon homes (vacant or occupied)	A, B or C	Finance purchase and redevelopment; purchase and rehab to sell, rent or redevelop; or establish land bank and acquire properties to hold
• Foreclosed upon residential properties (vacant or occupied)	A, B or C	Finance purchase and redevelopment; or purchase and rehabilitate to sell, rent or redevelop
• Abandoned homes	B	Purchase and rehabilitate to sell, rent or redevelop
• Abandoned residential properties	B	Purchase and rehabilitate to sell, rent or redevelop
• Blighted structures of any type (vacant or occupied)	D	Demolish
• Demolished properties (vacant or occupied)	E	Redevelop
• Vacant properties of any type	E	Redevelop



Income Rules

- Overall Benefit
- Qualifying Activities Under NSP National Objective
- 25% Low-Income Objective



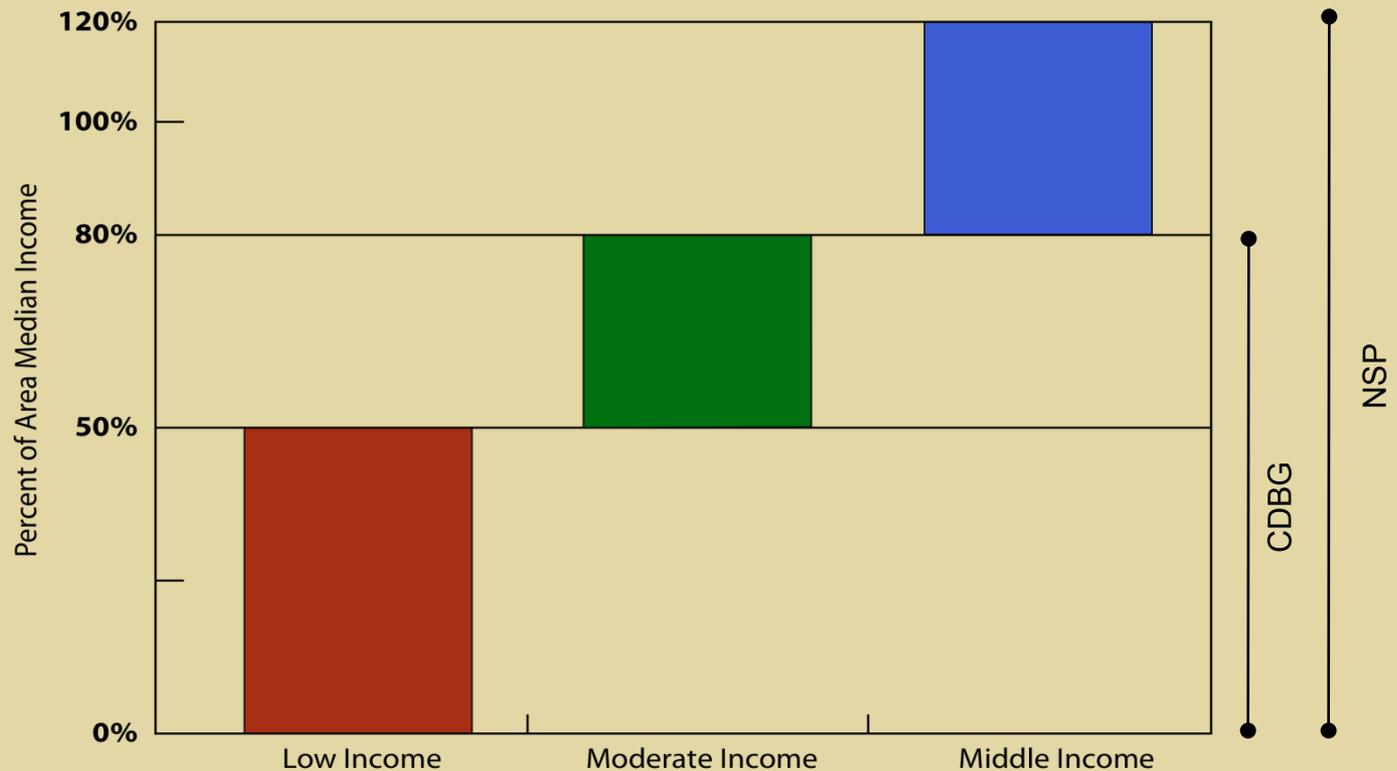
Overall Benefit



Overall Benefit Distinctions

- CDBG 70% vs NSP 100%
- CDBG 3 Objectives vs NSP One Objective
- CDBG Income Eligibility Based on 80% of Median vs NSP Based on 120%

Income Categories in Relation to the Area's Median Income



NSP Overall Benefit

- NSP—One Objective
- NSP—100% LMMI
- No Slums/Blight or Urgent Needs Under NSP
- NSP Based on 120% of Area Median Income





Qualifying Activities Under the NSP Objective

Qualifying Activities Under the NSP Objective

- LMMI Persons Benefit
- Use Modified CDBG Rules



Four Ways to Meet Income-based National Objective

24 CFR Part 570.208(a): CDBG NSP

- (1) Area Benefit Yes Yes
- (2) Limited Clientele Yes Yes
- (3) Housing Yes Yes
- (4) Jobs Yes No



Qualifying Activities Under the NSP Objective (continued)

- Area benefit requires at least 51% LMMI; no exceptions as in CDBG
- Housing must qualify under housing objective, but can use proportionate allocation approach for multifamily
- Non-housing can qualify under limited clientele or area benefit—but only if service area is residential



Qualifying Activities Under the NSP Objective (continued)

- HUD Supplies Census Data
- As in CDBG, grantee Defines 'Income' (See 570.3)
- Documenting Income - Can Use 'Self Certification' But Need to Verify

Other Related Requirements

- 570.208(d)(1) —Property Acquisition
- Be alert to Change of Use
[570.505 and 570.503(c)(8)]
- 570.208(d)(2)



25% Low-Income Set-Aside

25

25% Low-Income Set-Aside

- At Least 25% of NSP Funds
- Based Only on Housing Low-Income (50% of Area Median Income)
- 25% of Total Funds, Not Beneficiaries; Not Applied to Each Activity

25% Low-Income Set-Aside (continued)

- Use Abandoned or Foreclosed Properties Only
- Must Provide 'Permanent' Housing
- No Group Homes or Shelters

25% Low-Income Set-Aside

(continued)

- Maintain Accurate Records to Account for 25% Set-Aside
- Identify and Report Allowable Costs Directly Attributable to the Resulting Low-Income Units through DRGR
- Plan and Implement your NSP Initiatives Carefully



Module 1 Summary

- Eligible Uses/Activities/Properties
- NSP National Objective
- Meeting the National Objective
- 25% Low-Income Set-Aside
- www.hud.gov/nsp