



US Dept. of Housing and Urban Development
Office of Community Planning and Development

Neighborhood Stabilization Program

October 2008



NSP 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 name - **Neighborhood Stabilization Program**
- Due **December 1, 2008**



Rules of Construction

- Treated as CDBG Funds
- Alternative requirements to expedite use of funds published in the Notice published in the *Federal Register* on October 6, 2008
- HERA alters several key CDBG provisions
- Must comply with Lead Safe Housing Rule



NSP Allocations

- HERA Provides \$3.92 Billion to assist States and localities in redevelopment efforts
- Considered a Special Allocation of 2008 CDBG Funds
- Amounts determined by formula established by HUD using criteria specified by HERA



NSP Allocations

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

- Formula details provided in the notice



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 foreclosures;
 - With the highest percentage of subprime mortgages;
 - Likely to face a significant rise in foreclosures.



Period to Use Funds

- NSP grantees must use funds to purchase and redevelop abandoned and foreclosed homes and residential properties **no later than 18 months** after execution of the grant agreement
- Use = obligate for a specific project



Applying for NSP Funds

- Action Plan Substantial Amendments due by **December 1, 2008**
 - Submit to local field office
- Grantees should consider administrative capacity
- Joint agreements are permitted



Grantee Submission

- To receive NSP allocation, grantees must submit:
 - Signed and Dated SF-424
 - Signed certifications, including LBP/LHC
 - Summary of public comments
 - **Substantial Action Plan amendment**
 - **Due December 1, 2008**



Amendment Content

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



Continuing Affordability

- Define affordable rents
- Describe standards
- Describe enforcement mechanisms
- Minimum = HOME program standards
- Homebuyers must get 8 hours of counseling
- Subprime mortgages discouraged
- HOME affordability restrictions revive



Information for States

- HERA established minimum 0.5% grant allocation for each state
- Effective state minimum allocation is \$19,600,000



Information for States

- Role of States
 - Fund nonentitlement local governments
 - Fund CDBG or NSP entitlement grantees
 - Fund private or public nonprofits, Tribes, quasi-governmental entities
 - Directly carry out activities
 - Use contractors or developers
- Must distribute funds to areas of greatest need



National Objective Issues

- HERA preempts regular CDBG national objectives
- Directs that all funds be used to benefit individuals at or below 120% of area median income
- Slum/blight and urgent need national objectives not applicable to NSP



National Objective Issues

- HERA requirement - Not less than 25% of funds available to each grantee must be used for housing activities that benefit individuals whose incomes do not exceed 50% of area median income



Planning and Administration

- Up to 10% of NSP Grant plus program income
- No matching requirements
- 10% applies to the grant as a whole
- Activity delivery costs permissible as part of activity



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

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

Eligible Activities

- 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

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

Eligible Activities

- Acquisition
- 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

E. Redevelop demolished or vacant properties

Eligible Activities

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



Uses of NSP Funding

Eligible Use

E. Redevelop demolished or vacant properties (continued)

Eligible Activities

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



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



NSP Income Targeting

- Income eligibility for NSP based on 120% of area median income
- Metro area median or state nonmetro median, based on where the activity is undertaken
- HUD is providing 120% AMI data on website – www.hud.gov/nsp



NSP Income Targeting

25% to 50% of median income targeting

- Each grantee - at least 25% of its NSP grant for residential properties to house individuals or families with incomes at/below 50% of area median income
- Principal way to comply will be through rental housing



Rehabilitation Standards

- Purchase of a foreclosed home should be at a discount from the current market value of the home or property.
- Current condition must be taken into account



Rehabilitation Standards

- Rehabilitation of a foreclosed-upon home should be to comply with applicable laws, codes, and other requirements.
- Rehabilitation may increase the energy efficiency or conservation or provide a renewable energy source.



Sale of Homes

- The sale 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 property up to a decent, safe, and habitable condition.



NSP PROGRAM INCOME

- Revenue that is generated from the use of NSP funds is CDBG program income (e.g., proceeds from the sale of foreclosed upon properties acquired with NSP funds).
- CDBG Entitlement program income definition applies
- Revenue received is program income



NSP Purchase Discount

CURRENT MARKET APPRAISED VALUE **(CMAV)**

Value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by grantee, subrecipient, developer or individual home buyer.



NSP 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



Eminent Domain

- HERA appears to permit some use eminent domain for public purposes.
- Any foreclosed home/residential property must be at a discount from the current appraised value—purchasers must pay below market value
- Fifth Amendment provides that private property cannot be taken for public use w/o just compensation.
- Take away point: NSP grantees anticipating using the power of Eminent Domain should ***consult counsel*** before taking action.



NSP Information

- Extensive information available on HUD's website – www.hud.gov/nsp
- Archived Webcast

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/policyguidance/>



OHHLHC

- Office of Healthy Homes and Lead Hazard Control

www.hud.gov/offices/lead



NSP Certifications

73 Federal Register 58343, October 6, 2008, col. 2, item 13:

- 13. Compliance with lead-based paint procedures. The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.
- <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnofice.pdf>



NSP Certifications

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsptemplate.doc>

Certifications

- (14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.