



 Overview

- Eligible uses
- Program activities
- Strategies for meeting the 25% set-aside
- Case examples
- FAQ issues
- Resources

U.S. Department of Housing and Urban Development Neighborhood Stabilization Program 2

 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

U.S. Department of Housing and Urban Development Neighborhood Stabilization Program 3



25% Set-Aside Requirements

- At least 25% of NSP funds must create housing for low-income residents (50% of Area Median Income, or AMI)
 - Also applicable to reallocated funds
- 25% of total funds, not beneficiaries; not applied to each activity





Program Activities

- Use abandoned or foreclosed properties *ONLY*
 - Not all properties may count, even if they are occupied by low-income persons
- Must provide 'Permanent' Housing
 - Occupancy cannot be time limited
 - Renters should have a lease agreement
- No group homes or shelters





Record-keeping

- Maintain accurate records to demonstrate meeting 25% Set-Aside
- Use DRGR to identify and report allowable costs directly attributable to the resulting low-income units
- Set up record keeping and tracking at the beginning to ensure you will meet the 25% set-aside at close-out





Strategies to Meet the Set-Aside

- Focus first on eligible low income projects
 - Multi-unit properties offer efficiency
- Develop rental housing
 - homeownership will be difficult below 50% AMI
- Create Permanent Housing for special needs households
 - Incomes are likely far below 50% AMI
- New construction on vacant land/teardowns





Partnership Strategies

- Non-profit developers
- Operators of Permanent Supportive Housing
 - Continuum of Care
 - Low-Income Tax Credit developers
 - Habitat for Humanity
 - CHDO, CDC, CSBG, Aging Associations
 - Homeowner Counseling / Job Training Agencies





Partnership Strategies con't.

- Partner with Public Housing Authorities through Family Self-Sufficiency Programs
 - www.hud.gov/offices/pih/centers/gmc/categorical/phfss.cfm
- Job training/workforce development programs to identify eligible participants who may be able to increase their income over time
- Connect with Realtors, Tax Assessor to find sites





Set-Aside Challenges

- Homeownership
 - Buyers must be income-eligible, bankable, and able to afford the ongoing costs of home ownership
 - Lease/purchase programs
 - Pre- and Post-ownership training
 - Financial management/budgeting/credit
 - Maintenance, repairs, and general upkeep





Set-Aside Challenges

- Write down the purchase price to the point where the housing is affordable:
 - Reduce the sale price
 - Provide a soft second mortgage
 - Provide 100% NSP financing
 - Provide down payment assistance
 - Buyer must have 50%
- Seek long-term asset management stewardship





Set-Aside Challenges

- Rental
 - Affordable rents may not be feasible (i.e. rents that cover costs)
 - Finding additional rent subsidies
 - Mixed income housing to create internal subsidies
 - Supportive Housing and Shelter Plus Care
 - Project-based vouchers





Set-Aside Challenges

- In some cases, grantees may identify foreclosed buildings with income-eligible tenants still in place.
 - Units can be acquired/redeveloped and tenancies retained
 - Grantee can count these units toward 25% set-aside





Set-Aside Challenges

- Special-needs housing is complex
 - Even if you have no debt, project still needs adequate operational funds
 - Partners may have uneven capacity for development, management, record-keeping
 - Time crunch – must obligate all funds by September 2010!





Case in point: State of Maine

- \$5,000,000 in NSP funding has been set aside for MaineHousing (PHA) for:
 - Acquisition and rehab of foreclosed properties to develop permanent housing for homeless households
 - Acquisition and rehab for permanent supportive housing for people with special needs
- RFP for homeless developers (mostly non-profits)
- Traditional consumer outreach methods used





Case in point: State of Maine

- Obtained HUD approval to couple NSP with project-based vouchers
 - Vouchers on the back end make the housing permanently affordable to very low-income
 - Vouchers on a walk-in basis; speeds things up

- For more information, contact Deborah Johnson 207-624-9817



Strategy: State of Indiana

- State Development entity issued RFP requiring EACH applicant to allocate 25% of request to create units for income-eligible households
- Grantee finding biggest challenge is obligating funds for the 25% set-aside; focusing on these efforts is top priority, up to 120% AMI seen as easier



Case in point: State of Indiana

- 25% of NSP funds set aside for New Construction:
 - A majority to develop housing opportunities for households at or below 50% of AMI
 - Other financing resources incorporated
 - Vacant properties must be foreclosed
- 12% set aside for Acquisition and Rehabilitation:
 - Portion directed to homeownership
 - More than half to be used to create rental housing



Discussion

- How are you meeting the 25% set-aside?
- What successes have you had?
- What challenges are you facing?





NSP FAQs

Question:

Can properties held for later redevelopment (i.e., via land banking), with intended use by very low-income households, count toward the 25% set-aside?





NSP FAQs

Answer:

NO. HUD will determine at grant closeout whether the 25% requirement has been met. If properties are not occupied by that time, they will not count toward any housing or set-aside goal.





NSP FAQs

Question:

Can a grantee use NSP funds to develop a homeless shelter, or to provide transitional or temporary housing?

Would this use count towards the 25% set-aside for very low income households?





NSP FAQs

Answer:

Grantees may acquire residential property under Eligible Use B or non-residential property (foreclosed vacant land/structures) under Use E.

- Under B, the grantee can rehabilitate housing that is permanent housing

In this case, if the grantee can document that residents are below 50% of area median income, the housing will count toward the 25% set-aside.





NSP FAQs

Under E, redevelopment, the grantee can construct new transitional residential facilities. Most shelters are not considered housing, since they are short-term. Similarly transitional or temporary residential programs would not be considered housing for very low-income households.

The grantee can use NSP to assist with construction as public facilities, but this would not count toward the 25% set-aside nor toward housing production goals.





NSP FAQs

Question:

NSP allows a grantee to use up to 10% of its grant for general administrative and planning expenses.

Is the 25% set-aside applied to the entire grant amount, or only to the 90% of the grant not used for administration?





NSP FAQs

Answer:

The 25% set-aside must be counted against the entire grant amount.





NSP FAQs

Example: if a grantee receives an NSP award of \$4 million, and uses \$400,000 for planning and general administration, it has \$3,600,000 for specific activities.

- The grantee must use at least \$1 million (25% of \$4 million) of its grant for housing for individuals and families with incomes at or below 50% of the area median income.
- If it were to only expend 25% of the \$3.6 million (\$900,000), it would not be in compliance.





Critical to your Success

Recordkeeping:

- Verify and maintain records of income eligibility.
- Ensure that subrecipients are fully in compliance.
- You should expect to be audited!





Resources

- HUD NSP website
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>
- HUD NSP Fact Sheet
http://www.hudhre.info/documents/NSP_factsheet.pdf
- NSP FAQ on 25% Low-income Set-aside
http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp_faq_25low.pdf
- HUD Continuum of Care contact list
<http://www.hudhre.info/index.cfm?do=viewCocContacts>
- Enterprise Community Partners – NSP Resource Page
http://www.enterprisecommunity.org/public_policy/foreclosure_prevention/neighborhood_stabilization.asp


