



Welcome & Introductions

- Workshop developed by HUD and ICF International
- Presenters
- Purpose of Training

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

NSP Uses and Activities

- HERA defines five "uses" of funds
- Generally, uses of HERA funds must be CDBG eligible
 - Some exceptions
- HUD has cross referenced HERA uses to CDBG activities
- HUD permission needed if CDBG activity not on list
- Need to understand key terms for types of eligible properties to understand uses

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



Eligible Properties

- **Abandoned:** Mortgage/tax foreclosure proceedings & no payments 90 days & vacant 90 days
- **Foreclosed:** Mortgage/tax foreclosure complete, includes title transfer or deed in lieu (where legal under local law)
 - Must be acquired out of foreclosure – NSP acquisition not authorized until Action Plan submission
 - *Implication:* Cannot reimburse acquisition of foreclosed properties prior to Action Plan & cannot rehab these sites except if allowed under eligible use E





Eligible Properties (cont)

- **Blighted:** Objectively determinable deterioration that is threat to human health, public safety, public welfare
 - Defined in grantee's Action Plan
- **Land Bank:** Purchase, manage, dispose of property in defined area





Eligible Properties (cont)

- **Vacant Property:** Unoccupied structures or vacant land that was once developed
 - Exception for infill properties
- **Homes:** Permanent residential unit
- **Residential Property:** Homes plus vacant residential land and multifamily properties





Eligible Use A

Eligible Use	CDBG Eligible Activities
<p>A. Financing mechanisms for purchase & redevelopment of <u>foreclosed upon homes & residential properties</u></p>	<ul style="list-style-type: none"> • Activity delivery cost for an eligible activity (designing & setting it up) • The financing of an NSP eligible activity – such as soft second loans, loan loss reserve, equity sharing • Housing counseling for program participants • Other activities in Uses B-D



Common Questions: Eligible Use A

- When is this activity used?
- Must it be used whenever financing is provided directly to homebuyer or developer?
- Can this activity be related to redevelopment into commercial property?



Program Example #1: New York, NY

- NSP being used to fund Credit Facility to facilitate acquisition and rehabilitation of REO homes by nonprofit organizations
- Credit facility enables City to borrow \$31 million in private capital by leveraging federal grant funds and city subsidy to raise additional private funds
- Allows bulk purchase of REO at discount prices
- Rehabbed homes are being sold to eligible homebuyers
- <http://www.nyc.gov/html/hpd/downloads/pdf/NSP-ConPlan-Amendment.pdf>



Eligible Use B

Eligible Use	CDBG Eligible Activities
<p>B. Purchase and rehabilitate <i>homes and residential properties</i> that have been <i>abandoned or foreclosed</i> upon, in order to sell, rent, or redevelop such homes and properties</p>	<ul style="list-style-type: none"> • Acquisition • Disposition • Relocation • Direct homeownership assistance • Eligible rehabilitation and preservation activities for homes and other residential properties • Housing counseling for program participants



Common Questions: Eligible Use B

- Does unit count as foreclosed if is purchased prior to completion of legal action?
- Can NSP funds be used to acquire a foreclosed property if the bank that foreclosed on the home has designated an asset manager as the seller?
- Can rehabilitation be done on units purchased by buyers out of foreclosure (without NSP assistance)?
- What criteria must be met for NSP funds to be used for rehabilitation of a private purchase?



Common Questions: Eligible Use B (cont)

- Can NSP1 funds be provided to homebuyers to acquire formerly foreclosed properties now owned by subgrantees?
- If vacant, abandoned, blighted property owes back taxes to grantee, can NSP funds be used to forgive tax liens as part of acquisition process?



Program Example #2 – Tucson AZ

- 75% of funds used for community land trust
 - Acquisition/Rehab/Resale of homebuyer units
 - Land held in perpetuity, owner gets use of structure 99 years via ground lease
 - Units developed & sold to LMI households (up to 65% AMI)
 - Resale restrictions imposed
 - Units rented while CLT developed
- http://www.tucsonaz.gov/csd/What_s_New/NSP%20Final%20Application%20with%20Attachments.pdf





Eligible Use C

Eligible Use	CDBG Eligible Activities
C. Land banks for <i>homes</i> and <i>residential properties</i> that have been <i>foreclosed</i> upon	<ul style="list-style-type: none"> • Acquisition • Disposition (includes maintenance) • Housing counseling for program participants

- Land Bank = govt or non-govt entity temporarily assembles, manages, disposes of homes
 - Must operate in specific defined area
 - 10 year reuse plan





Common Questions: Eligible Use C

- Can land banked properties be rented and used while still held in land bank?
- What rules apply to re-use of land banked properties?
- What is national objective for land bank?





Program Example #3: State of Michigan

- \$10 million of NSP funds allocated to land banks to:
 - Acquire and hold properties and in some cases demolish properties for future redevelopment within 10 years
 - Acquire and dispose of properties for homeownership or rental by an eligible LMHI household
- http://www.michigan.gov/documents/mshda/mshda_NSP_SubstantailAmendment_2008ConsolidatedPlan_258751_7.pdf



Eligible Use D

Eligible Use	CDBG Eligible Activities
D. Demolish <i>blighted</i> structures	<ul style="list-style-type: none"> • Clearance, for blighted structures only

- Must be blighted, defined in Action Plan
- Can be any type of unit or property
 - Residential, commercial, industrial
- Must meet a national objective
 - Some projects based on demo itself, most on re-use of site



Common Questions: Eligible Use D

- How determine right national objective?
- Does "change of use" apply?
- Can grantee do demolition of public housing?
- Can subrecipient purchase home, demolish it, and build new home in its place and sell it to eligible homebuyer?



Program Example #4: Cleveland, OH

- Cleveland created a typology for determining their strategic approach in different areas
 - Transitional
 - Fragile
 - Distressed
- In “distressed” markets where foreclosure and abandonment risk is high and market very weak, Cleveland is focusing on demolition, land banking and interim uses
- <http://cd.city.cleveland.oh.us/>





Eligible Use E

Eligible Use	CDBG Eligible Activities
E. Redevelop <i>demolished</i> or <i>vacant</i> properties	<ul style="list-style-type: none"> • Acquisition • Disposition • Public facilities and improvements • Housing counseling public services (limited to purchasers or tenants of redeveloped properties) • Relocation • New housing construction • Direct homeownership assistance • 570.204 activities by CBDOs • Rehabilitation • Housing counseling for program participants

Any property or unit type





Common Questions: Eligible Use E

- Must new construction be done by CBDO?
- Can commercial properties be developed under this use?
- Can activities done under Eligible use E count towards the 25% set-aside?
- Can NSP1 funds be used for infrastructure charges such as roads, water, sewer lines, power lines, etc?





Program Example #5: Poughkeepsie, NY

- Targeting 5 block area of Main Street where 3 out of 5 commercial spaces are vacant, upstairs apartments are vacant and buildings are in disrepair
- Planning to redevelop the area as affordable rental housing to re-energize downtown
- Reaching out to residents with community meetings to get their input on revitalization efforts
- <http://www.stablecommunities.org/library/case-study-hudson-river-housing>





Ineligible Uses

- If ineligible under CDBG, usually ineligible under NSP
 - New construction is exception, CBDO not needed
- Ineligible under NSP:
 - Foreclosure prevention
 - Demolition of non-blighted structures
 - Acquisition of property or structures that are not abandoned, foreclosed or vacant (eligible use E)





Ineligible Uses (cont)

- Need to be careful when addressing tax or other foreclosed properties owned by grantee
- Cannot use NSP funds to reimburse grantee for its tax-foreclosed units
 - Can only pay for reasonable title transfer costs
 - Can pay for back taxes as part of acquisition cost when foreclosed unit owned by private lender





Admin Vs. Activity Delivery Costs

- Admin = costs to administer grantee or subrecipient agency
 - Capped at 10%
 - Must have tie to funding program -- cannot be used to pay administrative costs for programs or projects not funded by NSP
- Activity Delivery
 - Cost of delivering an assisted project or service
 - Not counted toward admin cap



Administrative Costs

- Eligible admin/planning costs include:
 - Staff costs to manage NSP programs
 - Public information
 - Fair Housing
 - Preparation of Action Plan
 - Submission of applications for Federal programs
 - Planning, policy, studies



Activity Delivery Costs

- Activity delivery costs:
 - Costs for grantee to deliver the program
 - Example: Inspections, work write-ups, appraisals, homebuyer selection
 - Don't need to track costs to specific unit but may want to



Common Questions: Admin and Activity Delivery Costs

- Will NSP1 activity delivery costs that will be incurred after obligation deadline be considered obligated?
- If subrecipient administers NSP program and is also acquiring and rehabbing property, does subrecipient get administrative fee or developer's fee?





National Objectives

- All NSP activities must meet national objective
 - Defined differently than CDBG
 - Low/moderate/middle income (LMMI) = 120% of median
 - "Slum/blight" and "urgent need" National Objectives not allowed





National Objectives (cont)

- Housing (LMMH): households \leq 120% of area median income
 - Used for all housing activities
 - Cannot use LMMA, LMMC for housing acquisition, rehabilitation, construction, homebuyer assistance etc
 - If single unit structure = must be occupied by LMMI person
 - If duplex = one unit must be LMMI





National Objectives (cont)

- Housing (LMMH) - continued:
 - If 3+ units = proportional share must be LMMI
 - Different than CDBG (not 51%)
 - Example: if 10 unit total development cost = \$1,000,000 and NSP funds are \$400,000, must have 40% (4 units) occupied by LMMI, rest can be upper income





National Objectives (cont)

- Area benefit (LMMA): defined area with $\geq 51\%$ of residents $\leq 120\%$ of median
 - Activity serves all residents of primarily residential area
 - Use for land banks if also do maintenance, demolition, redevelopment
- Limited clientele (LMMC): family with income $\leq 120\%$ of median
 - Use for special needs public facilities





Amending NSP Action Plan

- Changes to program design require submission of another NSP Action Plan Amendment
- Similar process as first NSP Substantial Amendment
 - Citizen Participation (15 days)
 - HUD Notification
- Grantees may want to consider NSP Amendment if can improve program and ensure funds obligated by deadline


