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

# Neighborhood Stabilization Program

April 02, 2009



# Background

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- Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA)
- Signed by the President on July 30, 2008
- HUD has assigned the name of Neighborhood Stabilization Program
- Extensive information available on HUD's website – [www.hud.gov/nsp](http://www.hud.gov/nsp)



# Allocations

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- 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
  - Louisville received \$6,973,721
  - Commonwealth received \$37,408,788



# Allocations

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- Need is based on number and percent of:
  - Home foreclosures
  - Homes financed by a subprime mortgage
  - Homes in default or delinquency
  
- Formula details provided in the notice



# Criteria for Local Distribution

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- NSP sub-recipients must target funds to give priority emphasis and consideration to areas with the greatest need. . .
  - Greatest percentage of home foreclosures;
  - Highest percentage of homes financed by a subprime mortgage related loan; and
  - Likely to face a significant rise in the rate of home foreclosures.





# Period to Use Funds

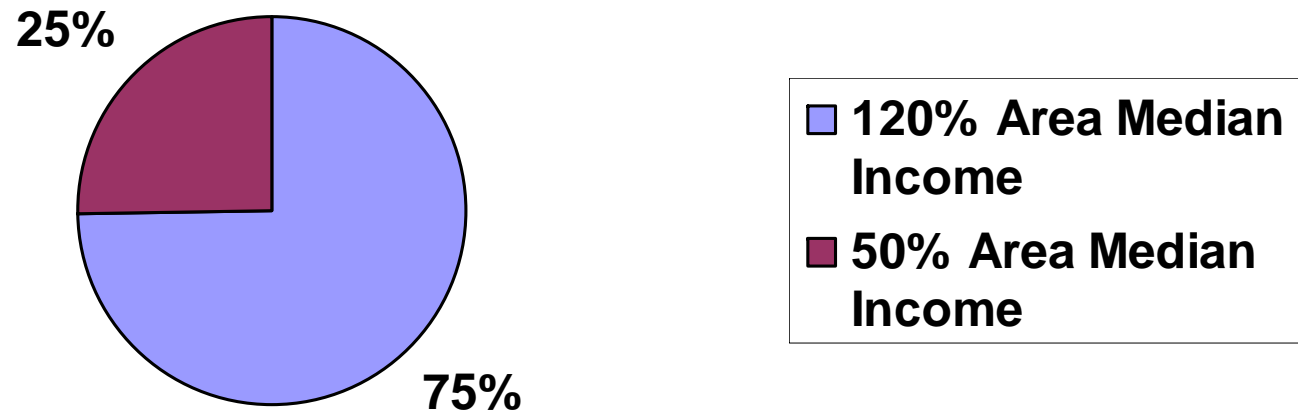
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- NSP sub-recipients must use these funds to purchase and redevelop abandoned and foreclosed homes and residential properties **no later than 18 months** after execution of the grant agreement
- Use = obligate for a specific project



# Separate Sources of Funds

## NSP Income Targeting





# NSP Income Targeting

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- Directs that all funds be used to benefit individuals at or below 120% of area median income (AMI)
  - City of Covington
    - 1 person household = \$58,150
    - 4 person household = \$83,050



# NSP Income Targeting

- 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
  - City of Covington
    - 1 person household = \$24,200
    - 4 person household = \$34,600



# NSP Income Targeting

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25% to 50% of median requirement:

- Principal way to comply will be through rental housing
  - New construction or conversion
  - Acquisition or acquisition + rehab
  - Address needs in Continuum of Care



# NSP Eligible Activities

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- Land Banks – benefit a defined service area if maintenance and demolition also take place
- Housing counseling for prospective purchasers/tenants
- Public facilities such as emergency shelters, group homes



# NSP Eligible Activities

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- Housing Activities
  - Acquisition, rehabilitation, rental, sale, conversion, construction
  - Down payment assistance
  - Infrastructure for housing as part of redevelopment
  - All units must be Low, Moderate and Middle Income – occupied
  - Purchase of a foreclosed home under this section must be at a discount from appraised value



# Joint Agreements

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- Joint Agreements:
  - 2 or more NSP sub-recipients may develop joint application for a joint program
    - City was lead applicant with CGN and HONK as co-applicants



# Joint Agreements

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- Benefits of Joint Agreements:
  - Entity might not have capacity to run its own grant
  - Entity might not have expertise in administering NSP activities
  - Economies of scale, cost efficiency
  - Holistically treat neighborhoods or problems that cross boundaries
  - Increases score on application





# City of Covington Proposed Eligible Activities

ACTIVITY	# of UNITS	TOTAL AMOUNT	\$ FOR HIGHEST NEED CENSUS TRACTS	\$ FOR SCATTERED SITE STRATEGIC PROPERTIES	DETAIL
Funding Mechanisms for homebuyers (Principal reduction)					
Purchase and Rehabilitate (Resale to owner occupants)					units @ \$155,000 ea. (Includes 3% holding/legal costs)
Buyer Rehab					\$25,000/unit
Demolition (Blighted structures)					Conservative estimate of \$15,000 ea.
Redevelopment of demolished or vacant properties					New construction at \$210K/unit (Includes 3% holding/legal costs)
Counseling					\$75/person plus \$60 for one-on-one counseling sessions
5% Administrative and Marketing Costs					
<b>Totals</b>					



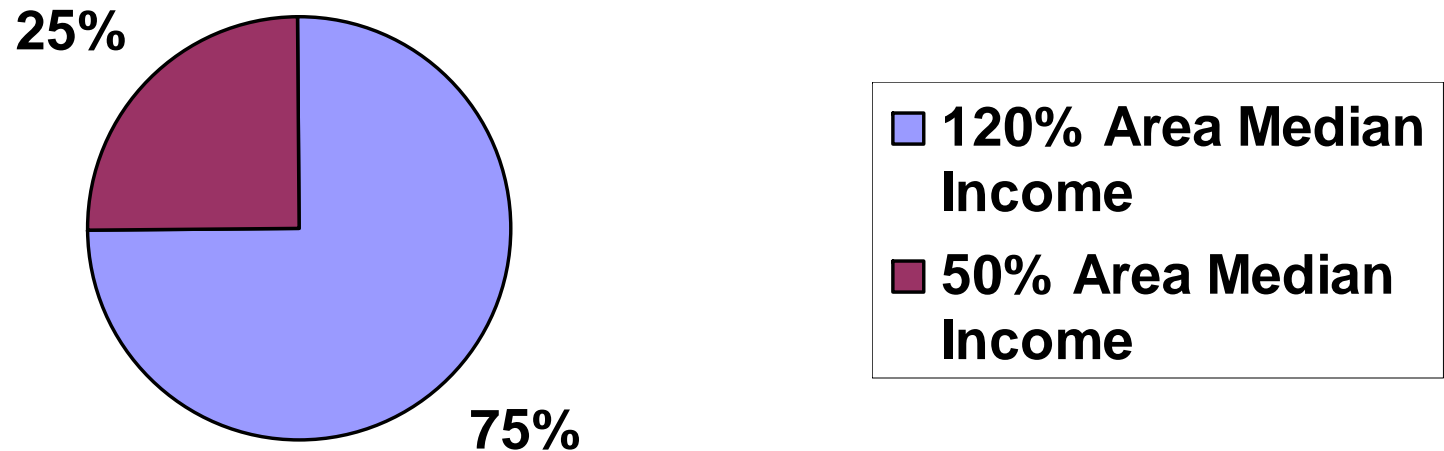
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# **Set-Aside for Very-Low Income Benefit**



# Set-Aside for Very-Low-Income Benefit

## NSP Income Targeting





## Set-Aside for Very-Low-Income Benefit:

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- The Commonwealth of Kentucky will make available \$9,500,000 (25.40 % of the NSP allocation) for the Low Income Targeting Set-Aside to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income.



# NSP Timeline

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- January 20                      Public Hearing
- January 30                      Covington's Application Submitted
- February 13, 2009            HUD approval of State's substantial amendment to its Action Plan and release of funds
- **April 03, 2009**                **DLG award of NSP funds**
- December 1, 2009            DLG to withdraw funds from non-performing entities for redistribution
- August 2010                    18 month commitment period ends. All NSP funds must be obligated to a project-specific activity at the local level