

Virginia Neighborhood Stabilization Program



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Background

- Authorized under Title III of the Housing and Economic Recovery Act of 2008
- Targeted emergency assistance to state and local governments
- Acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities

Funding

- Community Development Block Grant (CDBG)
- \$3.92 billion to all states and particularly hard-hit areas
- Virginia - \$38.7 million
 - Fairfax County - \$2.8 million
 - Prince William - \$4.1 million

Eligibility

- Property:

Abandoned / Foreclosed / Blighted
properties vacant at least 90 days

Eligibility

■ Households

- Low– moderate- middle income
- 120% or less of median
- 25% of funds for households 50% of median (25/50 rule)

Activities

- Each activity must be CDBG eligible and meet a LMI national objective
- Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties
- Purchase and rehabilitate homes and residential properties abandoned or foreclosed; new housing construction is eligible as redevelopment
- Establish land banks for foreclosed homes
- Demolish blighted structures
- Redevelop demolished or vacant properties

Investment Approach

- Outcome Funding
- Leveraging Resources
- Performance-based contracts
 - Output based administrative & delivery costs
 - Additional \$\$\$\$ for achievement of outcomes
- Outcome oriented compliance monitoring

Performance-Based

- Feed the Fever
- “Just In Time” payments
- Administrative / Delivery Costs by performance
- High Performance Incentives
 - Bulk purchase
 - Reprogramming

Targeting / High Impact

- No scattered site
- Definable neighborhood
- > 10% vacancy
- Significant number addressed
- Achieve market “tipping point”

4 Methods of Distribution

- Open Submission
- Planning Grants
- Competitive Round
- Performance Pool

Funding Criteria

Need

Impact

Leveraging

Readiness

Capacity

Required Program Elements

- DHCD approved target neighborhood
- Identify location and ownership of vacant properties
- Appraised, Discounted Values
- Acquisition or Facilitated Availability of Properties
- Eligible, credit worthy, prepped homebuyers
- Mortgage / Equity / Closing Costs
- Rehab / Property Prep / Disposition

Tools / Competencies

- Property ID, neighborhood mapping
- Locate , negotiate, set deal with owner
- Appraisal
- Financing – purchase
- Disposition / Rehab / Clean –up
- Priority list of eligible homebuyers
- Counseling / credit worthiness
- Mortgage product
- Down payment/ closing costs

25 / 50 Policies

Virginia NSP intent: Activities not introduced into a neighborhood so as to change the pre-existing nature, characteristics or stability of that neighborhood.

25 / 50 Priorities

- Special Needs Housing
- Supportive Housing
- Low Income Homeownership
- Rental Housing appropriate to character of neighborhood

Greatest Need

Funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures

Greatest Need

Locality	Estimated Number of Foreclosures
Fairfax County	6,707
Prince William County	6,632
Virginia Beach City	2,904
Loudoun County	2,632
Chesterfield County	2,385
Henrico County	1,897
Chesapeake City	1,781
Norfolk city	1,738
Spotsylvania County	1,708
Stafford County	1,600
Richmond City	1,400
Newport News City	1,259
Hampton City	1,254
Portsmouth City	1,117
Frederick County	1,024

Locality	Estimated Foreclosure Rate
Petersburg City	9.10%
Lee County	7.50%
Franklin City	7.30%
Buchanan County	7.30%
Martinsville City	6.90%
Danville City	6.80%
Hopewell City	6.60%
Craig County	6.60%
Sussex County	6.40%
Emporia City	6.40%
Dickenson County	6.20%
Nottoway County	6.10%
Lunenburg County	6.00%
Brunswick County	6.00%
Portsmouth City	5.80%
Norton City	5.70%
Greensville County	5.50%
Manassas Park City	5.50%
Henry County	5.50%

Identification

- No single source of data provides a complete and accurate snapshot by neighborhood
- REALTY TRAC and HUD-created data as a default
- Applicants can present alternate sources of data to support their proposals
- Required to go further beyond zip code, Census tract, and even Census block data analysis

Distribution

- Immediate action by applicants that are ready to proceed AND preparation time for less geared-up applicants
- Four levels of distribution
 - Open Submission program
 - Planning Grants
 - Competitive application
 - Performance-Based Pool

Proposed Distribution Summary

<u>Virginia Allocation</u>	<u>\$38,749,931</u>
*DHCD Administration	\$1,812,496
*Subrecipient Administration	\$1,812,496
Open Submission Program	\$20,000,000
Competitive Program	\$10,000,000
*Planning Grants	\$250,000
**Available for Performance Pool	\$4,874,939

* *10 percent of the total allocation is available for administrative costs (\$3,874,993). This will be split evenly between DHCD and NSP subrecipients. Of this amount, \$250,000 will be deducted (\$125,000 from DHCD and \$125,000 from NSP subrecipients) to support Planning Grants.*

** *The available amount noted is expected to increase significantly as recaptured funds, unobligated funds, and Program Income are added.*

Open Submission

- Up to \$20 million reserved
- Applications accepted on a rolling-basis beginning January 30, 2009
- Through April 3, 2009 or until all funds have been committed
- Proposals submitted within that timeframe that are found to be deficient may be revised and resubmitted by May 3, 2009

Open Submission

- Projects serving an **individual locality**
 - Up to \$2.0 million
 - Up to three neighborhoods per project / application
- Multiple localities = **regional** application
 - Up to \$4.0 million
 - Not more than two neighborhoods per locality
- Applicants that will target 100 percent of requested NSP funds to meet the 25/50 requirement
 - Up to \$1.0 million
 - Up to two neighborhoods per project / application
- *Local governments may directly apply OR non-profits, PDCs, or Housing Authorities may apply with the endorsement by local government*

Planning Grants

- \$250,000 reserved
- Up to \$25,000 for projects targeting one locality or up to \$40,000 for regional projects
- Local governments, PDCs, Housing Authorities, and non-profits
- Assist with:
 - Identification of properties and determination of ownership
 - Prioritization of neighborhoods
 - Securing the participation of owners and negotiation of discounts
 - Identification and development of qualified homebuyers who are **interested in living in the targeted neighborhood**
 - Development of criteria for eligible home buyers
 - Identification of a strategy for delivery of homeownership training / counseling

Planning Grants

- Up to three months to complete all required activities
- **Must** submit a Competitive application (described later)
 - **Failure to submit an application will result in the withholding of Planning Grant funds**
- Applications on a rolling basis beginning January 15, 2009
- Accepted through February 20, 2009 or until all funds have been committed
- Checklist of expected outcomes that must be achieved

Competitive Applications

- Up to \$10 million reserved
- Competition deadline of June 1

Competitive Applications

- Neighborhoods in an **individual** locality
 - Eligible for up to \$2.0 million
 - Up to three neighborhoods
- Multiple localities = **regional** application
 - Up to \$4.0 million
 - Up to two neighborhoods allowed per locality
- *Eligible applicants include local governments, non-profits, PDCs, and Housing Authorities*

Performance Pool

- Unobligated funds, recaptured funds, and Program Income
- Use by *high performers*
- Incentive to act swiftly
- Regularly review progress in meeting the 25 percent targeting requirement
- If this threshold is not being met, may limit use to funds those activities
- In instances where an applicant's request for funding was reduced due to the inability to meet the 25/50 requirement, those funds will be placed in a separate Reserve Pool allocation
 - Only be available for requests that will meet the 25/50 requirement
- Requests beginning June 1, 2009

General Policies

- Pay for Performance
- Management Team
- Program Income
 - Must be returned to DHCD first
 - If to be re-used in same neighborhood / same activities, will be earmarked
 - Second time around – 8 percent admin
 - If not re-used, reallocated to Performance Pool

General Policies

- Administrative funds evenly split – 5 percent each
- Existing Virginia CDBG program policies will be used as a model unless noted

General Policies

- Affordable rents and guarantee of continued affordability
- Based on established HOME program
- Proposed rent structure must be reviewed to determine the amount that will be considered Program Income
- All loans must be secured by a Deed-of-Trust
 - Nature of equity at resale and future income to the Virginia NSP must be addressed and approved by DHCD
- Client readiness
 - Existing pipeline
 - Qualified and interested in *targeted* neighborhood
 - 8 hours of HUD-approved homeownership counseling required

General Policies

- Performance and recapture
 - Six months from the effective contract date
 - Sufficient progress?
 - Review after four months will be conducted
 - Followed with 60-day period for corrective action, if necessary
- Property acquisition
 - NSP \$ for acquisition = Discount rate of at least 15 percent
 - No NSP \$ for acquisition = Discount of at least 5 percent OR the amount of NSP downpayment and closing cost assistance, whichever is greater
 - Appraisal to determine fair market required

General Policies

- Submission requirements disseminated through a Request for Proposals
- How-to-Apply workshop will be scheduled
- Proposals will be evaluated based
 - Need
 - Impact
 - Readiness
 - Capacity
 - Leveraging
- Ability to leverage funds carefully reviewed and will be a significant consideration
- Applicants are expected to establish partnerships that will provide additional leveraged resources and provide for better service delivery

General Policies

- All applicants encouraged to meet 25/50 requirement
- Find partners that can address this market
- DHCD may reduce an award if this is not addressed
 - Funds set-aside for projects that will meet that target
 - Available through Performance Pool

Next...

Online NOW	www.dhcd.virginia.gov/ - Select <i>Community Development and Revitalization</i> - Select <i>Neighborhood Stabilization Program</i>
Comment Session	November 20, 2 -3:00 p.m. VHDA Virginia Housing Center 4224 Cox Road in Glen Allen
Comment Period Closes	November 25
Action Plan to HUD	December 1
Revised Action Plan and Contract	No later than February 13, 2009

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