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# Neighborhood Stabilization Program How to Apply

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January 13, 2009

Department of Housing & Community Development

# Agenda

- Background and Introductions
- Funding & Distribution Levels
- Policy Review
- Request for Proposals Format
- Q&A

# Virginia NSP Objective

- Regenerate Healthy Vital Neighborhoods
  - Active private real estate market
  - Affordable housing opportunities
  - Sustainable property values
  - No blighting properties

# Virginia NSP Objective

- Virginia NSP Activities
  - Buy vacant homes in target neighborhood
  - Repair/rehab homes
  - Prepare interested buyers
  - Create financing package

# Virginia NSP Objective

- Low Priority
  - Demolition
  - Land banking/Spec requisition
  - Long standing redevelopment needs
  - Large “target of opportunity projects”
- No Priority
  - Scattered site anything

# 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

# 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
- Churn Baby Churn
- High Performance Incentives
  - Bulk purchase
  - Reprogramming of profits

# 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

## 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/ Supportive Housing
- Low Income Homeownership /Habitat
- Rental Housing for Displaced low income households
- Rental Housing appropriate to character of neighborhood

# What is NSP

**Neighborhood Stabilization Program** was authorized under the *Housing & Economic Recovery Act of 2008* to assist in the redevelopment of abandoned and foreclosed homes.

FOR MORE INFO...

Visit our website : [www.DHCD.virginia.gov](http://www.DHCD.virginia.gov)

# What is NSP

- \$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
- All funds be used to benefit individuals at or below 120% of area median income
- At least 25% of the funds must be used for individuals or families whose incomes do not exceed 50% of the area median income
- Activities may not qualify using the "prevent or eliminate slums and blight" or "address urgent community development needs" objectives

# Virginia's Greatest Need

Funds will be distributed to the areas of greatest need, including those with

- ❑ *the greatest percentage of home foreclosures*
- ❑ *the highest percentage of homes financed by a subprime mortgage related loan*
- ❑ *identified as likely to face a significant rise in the rate of home foreclosures*
- ❑ ***SEE HANDOUT FOR LIST OF COMMUNITIES***

# Virginia's NSP Program

Emphasis is placed on projects that retain the fabric of the existing neighborhood and priority is placed on projects that provide homeownership opportunities for eligible clients.

It is the intent of the Virginia NSP to ensure that projects will not significantly change the preexisting nature, characteristic, or stability of that neighborhood.

Investment of NSP funds is intended to trigger the regeneration of private real estate activity in the targeted neighborhoods.

Scattered-site approaches that dilute impact will not be allowed.

# Virginia NSP Distribution

- **Virginia Allocation \$38,749,931**
- **\*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). Split evenly between DHCD and NSP subrecipients.

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

# 4 Levels of Distribution

- Planning Grants
  - January 15, 2009 – February 20, 2009
- Open Submission Proposals
  - January 30, 2009 – April 3, 2009
- Competitive Proposal Deadline
  - June 1, 2009
- Performance Based Pool

# NSP 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**

- ID properties and determination of ownership
- Prioritization of neighborhoods
- Securing the participation of owners and negotiation of discounts
- ID and development of qualified homebuyers who are interested in living in the targeted neighborhood
- Development of criteria for eligible home buyers
- ID of a strategy for delivery of homeownership training / counseling

# NSP Planning Grants

- **Up to three months to complete all required activities**
- **Must submit a Competitive application**
  - **Failure to submit an application will result in the withholding of Planning Grant funds**
- **Checklist of expected outcomes that must be achieved**

# Round 1 – 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**

# Round 1 – 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*

# Round 2 – Competitive Application

- Up to \$10 million reserved
- Competition deadline of June 1, 2009
- 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**

# Performance Pool

- **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**

# NSP Allowable Activities

- Each activity must be CDBG eligible & meet an LMI national objective

## **Purchase & Rehabilitate properties**

**Establish financing mechanisms**

**Establish Land Banks for foreclosed homes**

**Demolish blighted structures**

**Redevelop demolished or vacant properties**

# Eligible Project Areas

The Virginia NSP will focus investments in neighborhoods that can be significantly impacted through a defined revitalization strategy and leveraging of resources.

**It is the intent of the Virginia NSP to ensure that projects will not significantly change the preexisting nature, characteristic or stability of that neighborhood.**

# Eligible Project Areas

- Target neighborhood where 10% of the housing units, properties, or structures meet the approved definition of foreclosed or abandoned.

*(no scattered sites)*

- The applicant will need to demonstrate how the area was *defined*.

(Start with targeted foreclosures and expand outward on a map)

# Eligible Project Areas

- 25/50 Requirement
  - Applicants are strongly encouraged to target at least 25% of the NSP funds to serve those whose incomes do not exceed 50% of the median income.
  - Projects that do not meet this threshold will have a reduced award offer.
  - Reduced award offers will be set-aside as a 25/50 set-aside in the Performance Pool.

# Purchase of Abandoned/Foreclosed Homes

- NSP funds used for acquisition = property must be purchased at a discount of at least 15%
  - Other sources of acquisition funding = discount of at least 5 percent
- Appraisals
- Fair Market Value Determination

# Rehab of Abandoned/ Foreclosed Homes

- Housing units receiving NSP funding must at a minimum be rehabilitated to meet DHCD Housing Quality Standards. (HQS)
- Not more than \$25,000 of NSP funds for rehab

*Refer to the RFP Appendix C for DHCD HQS standards*

# Sale of Abandoned & Foreclosed Homes

- **No Profit** may be earned on the *sale* of the NSP home.
- Sales price shall be an amount equal to the cost to acquire/rehab (*including related delivery costs*) property up to a decent, safe & habitable condition

# Non- Owner-Occupied Units

- NSP funds will be used only for investments which stabilize neighborhoods in such a way as to substantially maintain the pre-foreclosure crisis mix of rental and owner-occupied dwellings and retain the relative market value of homes in the area.
- Redevelopment of existing properties or conversion of owner to renter tenancy will generally only be allowed to facilitate compliance with the 25/50 rule.

# Non- Owner-Occupied Units

- NSP assistance to rental properties will be underwritten to determine the appropriate amount of public investment and the rent structure of resulting units.
- Any Return on Investment related to NSP funding must be returned to DHCD as Program Income.

# Administrative Costs / Program Income

- **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 Performance Pool
  
- **Administrative funds evenly split – 5 percent each**
  - 5% to DHCD / 5% to locality

**Existing Virginia CDBG program policies will be used as a model unless noted**

## Program Delivery Costs

- **Includes all costs associated with the implementation of the NSP**
- **These costs do not include:**
  - **The cost of administering the project\*,**
  - **The cost of the actual NSP activities\*, or**
  - **Any cost that is ineligible for NSP funding**
  
  - **The cost of appraisals is not a delivery cost, it is a closing cost**

●\* These costs are eligible under other budget line items (i.e. administrative, rehab, acquisition, etc)

# Pay for Performance

- Program Delivery fees will be performance based and will be subject to the following scale:

Performance Items	Single Family Detached	Single Family Attached
Acquisition Not to Exceed	\$5,000 per unit	\$3,000 per unit /Not to Exceed \$10k <i>Trans. or aggregated properties</i>
Rehab Specialist Not to Exceed	10% of rehab costs up to \$2,500	10% of rehab costs up to \$2,500
Eligible Homebuyer Commitment Not to Exceed	\$5,000 per household	\$5,000 per household, homeowner only
Occupancy Not to Exceed	\$2,500	\$2,500
<b>Maximum</b>	<b>\$15,000</b>	<b>\$13,000</b>

# Non- Owner-Occupied Units

- Rental Occupancy: \$2,500, not to exceed \$10,000 per project is available for occupancy of an eligible tenant if no other developer or administrative fees are available.
- Supportive / Special Needs Housing: Up to \$5,000 will be available upon acquisition of an eligible building / property. Ten percent of NSP rehab cost up, to \$ 2,500 per unit will be available per project.

# NSP Planning Grant Request

- Letter from Chief Administrative Official
- Describe:
  - Nature of problem / why you believe there is an issue
  - Responsible parties
  - Discuss why funding is needed / how will funds be used
  - Discuss other efforts / issues in area
    - Are surrounding communities also affected?
    - Is there a coordinated effort?
  - Acknowledgement that funds beyond \$5,000 will be withheld unless an application is submitted

# NSP Open Submission Proposal Format

- Cover Sheet
- Proposal Summary
- Project / Service Area
- Needs
- Products
- Outcomes
- Capacity
- Readiness
- 25/50 Strategy
- Leveraging
- Financial Summary
- Acquisition & Rehab Summary
- Assurances & Certifications
- Disclosure Report

## Open Submission Proposal – Cover Sheet

### **Complete template provided**

- Applicant**
- Brief Project Description**
- Project Location**
- Costs**
- Signed by Chief Administrative Officer**

# Open Submission Proposal – Proposal Elements

## **Project Service Area**

- **How is the neighborhood defined?**
- **What are market conditions?**
- **Does this meet the 10% requirement?**
- **List properties**
  - **Owner**
  - **Contact info for owners agent**
  - **Condition of title**
  - **Address**
  - **Anticipated value**
  - **Rehab needs / cost**
  - **Projected sales price**
  - **Anything else?**

# Open Submission Proposal – Proposal Elements

## Project Needs

- **How did you identify the needs**
  - **Surveys**
  - **Inspections**
- **How did you prioritize?**
  - **10% criteria?**
- **Stakeholder involvement**
  - **Who is on your *Management Team*?**
  - **What do realtor's say?**

# Open Submission Proposal – Proposal Elements

## Products

- # of units to be acquired
- # needing rehab
- # of households – under 50% median, between 51%-80%, between 81%-120%

## Outcomes

- Long-term benefits
- Anticipated impact

## Open Submission Proposal – Proposal Elements

### Capacity

- **Responsibility chart**
- **Experience – Individual / organization**
- **Performance in this area - foreclosures / rehab / counseling, disposition, property maintenance, marketing**
- **Familiarity with CDBG, grant management, data collection / reporting, financial management**

# Open Submission Proposal – Proposal Elements

## Readiness

- **Partners identified and onboard**
- **Regulatory status – ERR**
- **Identified and qualified clients**
- **Acquisition and transfer / sale strategy**
- **Plan for meeting 25/50 requirement!**
- **Proposed affordability security**

## Open Submission Proposal – Proposal Elements

### **Other Considerations**

- **Availability of leverage resources and mortgage financing**
- **Ability to obtain discount**
- **Strategy for meeting 25/50 requirement**

# Open Submission Proposal – Proposal Elements

- **Financial Summary**
  - **Budget**
  - **Sources**
  - **Derivation**

# Open Submission Proposal – Proposal Elements

## Maps

- **Code to show targeted properties, status**
- **Cross-reference to property listing**
- **Include physical identifiers**



233 Units  
24 foreclosures  
10% foreclosure

Boundaries:  
E – Crestview Dr  
SW – Bond St  
N – Dublin Pl, Bond St

## Open Submission Proposal – Submission

- Original and 6 copies
- Binder clips are great; No 3-ring binders
- By 5:00 p.m. or postmarked and sent for delivery within 2 business days following the proposal deadline
  
- Planning Grants
  - January 15, 2009 – February 20, 2009
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  - June 1, 2009

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# Review Forms/ Handouts

- Review list of REO contacts
- Review list of Housing Counselor Agencies
- Review example of –Do numbers work

# DHCD Contacts for Proposal Development

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# Q&A

