

Virginia Neighborhood Stabilization Program Frequently Asked Questions

The Virginia NSP will focus investments in neighborhoods that can be significantly impacted through a defined revitalization strategy. Emphasis will be placed on projects that retain the fabric of the existing neighborhood. **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.**

Priority is placed on projects that provide homeownership opportunities for eligible clients. Proposals that contain a rental component will be evaluated on a case-by-case basis.

Please check back frequently for updates.

1) What constitutes a neighborhood?

Applicants will need to explain why the selected neighborhoods were targeted and how the area was defined. DHCD has not set a minimum number of homes that must be included in a proposed neighborhood; however, applicants should seek to target neighborhoods that have at least 10 percent of the housing units, properties, or structures that meet the approved definition of foreclosed or abandoned. There must be a sufficient number of total and eligible houses to constitute a neighborhood and provide a basis for impact on a real estate market. In the application, the targeted properties (addresses) must be included along with a discussion of how these properties are eligible under the program.

2) What program elements are necessary for a proposal?

Applicants are expected to have in addition to other elements as outlined in the RFP:

- Targeted neighborhoods and methodology for how the selection was made
- Acquisition and rehab strategy
- Leveraged funding strategy
- Pool of *qualified* clients who want to live in the targeted neighborhoods
- Property transfer strategy (for example, available mortgage financing, operation plan for rental / transitional housing)

3) At what point will NSP funds be made available for acquisition?

Once a proposal is approved and targeted properties have been determined as eligible under this program, DHCD will make NSP funds available to complete acquisition. However, applicants are expected to demonstrate they have access to a pool of interested, qualified clients. Please note that all properties targeted for acquisition may not be approved at once. DHCD will consider the applicant's redevelopment and disposition track record when evaluating requests for acquisition funding; the intent is to bring these properties back onto the market quickly and find clients that are prepared to move-in.

4) How much is available to operate this program?

Administration costs are limited to 4.68%* of the total NSP grant awarded to a successful applicant. NSP funds for Planning Grants are considered administrative and a grantee may not use any of these funds for general administrative activities. Administrative costs may be modified during the contract negotiation phase. If the applicant has an approved Program Income Plan that will continue the same activity in the same location, up to 8% of the Program Income generated will be available for administrative purposes.

** Administration allowance of 5% of Virginia award, less \$125,000 that is available for Planning Grants.*

Program Delivery costs includes all costs associated with the implementation of the NSP. Program Delivery 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.

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

The cost of appraisals is not a delivery cost, it is a closing cost

All Program Delivery fees are performance based and will be limited to a maximum based on the scale below.

Single Family Owner Occupied Program Delivery Eligible Expenses:

	<i>Single Family Detached Dwelling</i>	<i>Single Family Attached Dwelling (2-4 units)</i>
<i>Acquisition / Not to Exceed</i>	\$ 5,000 per unit / N/A	\$ 3,000 per unit / Not to Exceed \$ 10,000
<i>Rehab Specialist / Not to Exceed</i>	10% of NSP rehab cost up to \$ 2,500 per unit	10% of NSP rehab cost up to \$ 2,500 per unit
<i>Eligible Homebuyer Commitment</i>	\$ 5,000 per household	\$ 5,000 per household (homeowner only)
<i>Occupancy Bonus</i>	\$ 2,500	\$ 2,500
<i>Maximum / Unit</i>	\$ 15,000	\$ 13,000

Please note:

- Acquisition expenses may be requested in a lump sum after the closing on the property is complete and the grantee or its agent receives title to the property.
- Rehab Specialist expenses may only be requested in a lump sum after all rehabilitation work is complete unless it is scheduled differently in a pay-for-performance budget.
- Eligible Homebuyer Commitment expenses may be requested when a contract is executed for the purchase of a property. Grantee will only be able to request this one time for a single unit or eligible homeowner and will be responsible for returning the funds if the sale does not close.
- Occupancy Bonus may be requested upon the closing of the sale.

5) Are multi-family project eligible under the Virginia NSP?

Multi-family properties will be evaluated and negotiated on a case-by-case basis.
DHCD should be contacted early in the process to discuss any potential multi-family projects

6) What methods are acceptable in defining a neighborhood to obtain the 10% foreclosure target?

Build your neighborhood from the inside out. Your first step will be identifying clusters of foreclosed properties in your locality. From this cluster begin working outward until you have mapped out a justifiable neighborhood. This “neighborhood” may not have standard characteristics; just be able to justify your boundaries. Project areas should, however, have clear boundaries from a logical rationale. While your “neighborhood” may be a subset of a traditional subdivision in the city, streets, geographic boundaries or other means should be used to define the boundaries. You should not attempt to define the neighborhood with jagged boundaries that results from trying to pick only eligible properties.

Example - Your agency identifies 7 homes within 2 blocks all in the \$100-150k range; begin by identifying this cluster and work outward. One block to the north the homes increase in size, value & age. Three blocks to the south the homes decrease in size, value & age, work within those bounds to identify your “neighborhood” of like homes.

7) The Virginia DHCD limit of \$25,000 to complete rehab will not be enough in certain counties due to the age of the properties. Will this be increased or can exceptions be allowed?

The \$25,000 limit is DHCD policy. Should your agency wish to discuss a case by case exception on individual housing units; please contact our department. Please keep in mind that other sources of funding should be investigated. This would include CDBG or other HUD programs (particularly if you are working in an *entitlement community*); financing from your partner lending institutions; HUD rehab programs such as the FHA Title I Improvement Loans, and potentially, the Virginia Supplemental Loan program. The Supplemental Loan program is administered by DHCD, is currently only available in limited areas of the state, and can only serve LMI (80%) households. Contact DHCD for further information.

8) If the goal is to raise neighborhood values, isn't this program counterproductive if the homes are not sold at a profit. Won't you be devaluing all other homes within that neighborhood?

This is a statutory requirement to sell the home at acquisition cost plus rehab. The goal of NSP is neighborhood stabilization. Therefore if we can stop the neighborhood from declining *further*, eventually the healthy neighborhood should rebound.

9) With markets continually changing when do key items have to be met? 1) Appraisal to purchase from bank 2) 10% foreclosure target

The appraisal must be dated within 60 days of the sales contract to purchase the home from the bank/ mortgage company. This must be an “as is” walk through interior appraisal and take into account damage and significant need for rehabilitation or repair. The report will be consistent with the Uniform Standards of Professional Appraisal Practice (USPAP), the Supplemental Standards Rule and the Jurisdictional Exception Rule of USPAP where applicable.

Applicants should seek to target 10% when submitting a Proposal to DHCD. DHCD realizes markets are consistently changing and that this target can change after submission.

10) Can an applicant use funds from their VIDA account towards a home purchase?

Yes.

The Virginia Individual Development Accounts (VIDA) program is a special savings account program that triples your savings: VIDA matches \$2 for every \$1 you save in a VIDA account. Matching funds are limited to \$4,000 per participant with a maximum of two participants per household. The combined savings can be used to buy your first house.

To learn more about the VIDA program please visit our website at www.dhcd.virginia.gov ; click on the Homelessness to Homeownership tab; and follow the link to VIDA.

11) If the bank’s REO department requires an EMD (earnest money deposit); how will these funds be paid?

When submitting a sales contract the REO department will require an EMD. These funds are a deposit until the sale of the home is complete and will then be applied towards closing. The localities are encouraged to cover the EMD and be reimbursed with NSP monies for the acquisition. However, DHCD recognizes that pre-authorization for the EMD may become necessary for some localities. Contact DHCD for further information