

# **Neighborhood Stabilization Program: Serving Persons with Special Needs**

**Part 1 - NSP Overview**

**Part 2 - Targeting Resources  
to Special Needs Projects**

**October 16, 2008**



# What is the Neighborhood Stabilization Program (NSP)?

- \$3.92 billion to help states and hard-hit cities recover from the effects of foreclosures, abandoned properties, and declining property values.
- Funds are provided as a supplemental appropriation under HUD's Community Development Block Grant (CDBG) program.
- Notice issued 10-6-08, see *73 F.R. 58330*



# HUD Methodology for Allocating Funds

- Funds have been made available to existing CDBG grantees (all states and the hardest-hit cities) based on the following factors:
  - The number and percentage of home foreclosures.
  - The number and percentage of homes financed by a subprime mortgage.
  - The number and percent of homes in default or delinquency.



# Requirements for Use of NSP Funds

- NSP funds must be used for individuals and families whose incomes do not exceed 120% of area median income (AMI).
- At least 25% of funds must be used to house individuals and families at or below 50% of AMI. [e.g.-- targeted through special needs projects to very low income beneficiaries]



# Eligible Uses

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes.
  - Including soft seconds, loan loss reserves, and shared-equity loans.
- Purchase and rehabilitate abandoned or foreclosed properties.
- Demolish blighted structures.
- Redevelop demolished or vacant properties.
  - New construction of housing, building infrastructure for housing, redevelopment of property to be used as rental housing, etc.
- Establish land banks
  - Must operate in a specific, defined geographic area.
- Administration and Planning (up to 10%)

# Meeting the CDBG National Objective

- NSP allows for the use of only the “low-, moderate-, and middle-income (LMMI) national objective.”
  - Activities may *not* qualify using the “prevent or eliminate slums or blight” or “address urgent community development needs” objectives.



# Using Funds to Meet the LMMI Objective - Examples

- Housing Activities (LMMH)
  - Acquisition, rehabilitation, rental, sale, conversion, and construction of housing units.
  - Homeownership Assistance (provision of down payment and closing costs)
- All units must be occupied by households meeting the low-, moderate-, and middle-income requirement.



# Using Funds to Meet the LMMI Objective - Examples

- Area Benefit Activities (LMMA)
  - Activities benefiting all residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of AMI.
  - Examples of activities include demolition, acquisition, and land banks.
  - Grantees must identify the service area of each NSP-funded activity.
  - HUD will provide data on the percentage of low-, moderate-, and middle-income persons by census tracts and block groups.



# Using Funds to Meet the LMMI Objective - Examples

- Limited Clientele Activities (LMMC)
  - Housing counseling for prospective purchasers/tenants



# Meeting the 50% AMI Requirement

- Requirement applies to each grant – not to the NSP program as a whole, nor to each program, activity, or subrecipient.
- Compliance based on dollars, not number of units.
- Principle way to comply will be through rental housing (acquisition, rehabilitation, new construction, etc.).



# Continued Affordability

- Grantees are obligated to ensure – to the maximum extent possible – that the sale, rental or redevelopment of abandoned and foreclosed homes and residential properties remain affordable to individuals or families with incomes at or below 120% of AMI.



# Process for Accessing Funds

- Grantees must submit an action plan substantial amendment to HUD no later than December 1.
  - 15-day public comment period required.
  - If substantial amendment not submitted, HUD will reallocate the funds earmarked for that grantee.
- Guidance on preparing the substantial amendment provided in the Federal Register (73 F.R. 58330) on October 6, 2008, available on HUD's NSP website.



# Timeliness in Obligating and Spending Funds

- Grantees must obligate funds for a specific NSP activity within 18 months.
  - Funds not obligated within 18 months will be recaptured and reallocated.
- NSP funds must be expended within 4 years.



# Capacity to Administer Funds

- Because of the aggressive timeline, local jurisdictions should consider their administrative capacity to use the funds within the statutory deadline.
- If a local jurisdiction applies for less than the full amount, the balance of their grant will pass through to the state NSP administrator.



# Joint Requests

- Alternately, HUD is providing regulatory waivers to allow joint requests to implement a joint NSP program.
  - Two or more continuous entitlement communities within the same metropolitan area.
  - An entitlement community may also request a joint program with the state.
  - Joint requests result in a single combined grant and a single action plan substantial amendment.



# Subrecipient Agreements

- A state or local jurisdiction may apply for the grant and enter into subrecipient agreements with third parties, including nonprofit entities, to carry out activities with NSP grant funds.
  - *E.g., a state or local jurisdiction could enter into a subrecipient agreement with a provider of HIV/AIDS housing/homeless assistance for some NSP activities.*

# State Distribution of Funds

- State grantees may distribute NSP funds directly to projects, rather than working through units of general local government (as is required under CDBG).



# **Part II: Using NSP Funds to Serve Persons with HIV/AIDS and Other Special Needs**

**In coordination with:**

**Housing Opportunities  
for Persons with AIDS (HOPWA)**

**Continuum of Care (CoC)  
Homeless Assistance Programs**



# Recommend Involving Special Needs Providers in NSP plans

- HOPWA and Continuum of Care providers participate in area planning efforts to address needs of very low income populations.
- Work in their communities to develop comprehensive approaches, coordinate resources, promote project development efforts, assess results and help beneficiaries prepare for & maintain housing arrangements.
- Would help facilitate targeting 25% of NSP funds to very low income households.



# The Impact of the Foreclosure Crisis on Low-Income Renters

- Bulk of attention regarding foreclosure crisis has focused on homeowners, but it's important to consider the impact on renters.
  - Many of the foreclosure filings are rental units (e.g., more than 35% in Cleveland).
  - Families displaced by a rental foreclosure can face high costs, including lost and new security deposits, increased new rents, moving and storage costs.



# Serving Homeless Families and Individuals

- Local Continuums of Care (CoC) have the planning capabilities and the capacity to design and administer a program under NSP.
  - There are approximately 672,000 homeless persons in the United States.
  - Housing persons with special needs is more cost effective for communities than allowing them to cycle through public systems (e.g., hospitals, jails, shelters).



# Serving Persons with HIV/AIDS

- Over 850 HOPWA projects are operating in all states.
- This housing assistance reaches households with extremely-low or very-low incomes (94% of clients).
- Support helps stabilize vulnerable and at-risk populations.
  - For persons with HIV/AIDS, stable housing is the foundation for managing the disease and maintaining health.
  - Housing status is related to improved access to health care, higher levels of anti-retroviral therapy adherence, reduced risk behaviors, and reduced mortality.\*

\* The National AIDS Housing Coalition. "Transforming Fact into Strategy – Policy Paper from the Second National Housing and HIV/AIDS Research Summit." 2007



# Serving Veterans with Special Needs

- Approximately 40% of homeless men are veterans (National Coalition for the Homeless, 2008).
- Many new vets are now returning home with mental health issues, substance abuse issues, and/or physical injuries.
  - At the same time, they are facing increased housing and living costs and fewer job opportunities.
- The nature of their disabilities will dictate the special housing needs of returning vets.
  - NSP offer an unique opportunity to assist this group.



# Meet NSP Targeting Requirements

- Targeting this population will help grantees comply with the requirement that at least 25% of NSP funds be used to house individuals and families at or below 50% of AMI.
  - Requirement applies to each grant.
  - Must identify activities that will help fulfill this requirement through the Con Plan substantial amendment process.



# Using NSP to Address Unmet Needs

- This one-time infusion of supplemental funds presents an enormous opportunity to address identified unmet needs within your community.
  - Each community already has various plans that outline existing housing needs (e.g., related sections of the Consolidated Plan, HIV/AIDS housing plan, Continuum of Care plan, 10-year plan to end homelessness).
  - NSP funds can help your community increase its inventory of permanent housing for persons with special needs.



# What types of activities will help fulfill the 50% AMI requirement?

- Acquisition and rehabilitation of a single family home which is “disposed” to a nonprofit or special needs individual.
- Redevelopment of abandoned or foreclosed-upon property into permanent supportive housing units for persons with special needs.



# Getting Involved in the Process

- The expedited process means that providers of special needs housing must act immediately if they want to propose projects and/or weigh in on how NSP funds will be used in their community.
  - Con Plan substantial amendment must be submitted to HUD December 1.
  - Amendment must be published for public comment no less than 15 calendar days.
  - Grantees need time to consider public comments and make changes to the proposed substantial amendment.
  - This means that decisions regarding how funds will be used will occur during the month of October and early November.



# Getting Involved in the Process

- Identify to whom NSP funds have been allocated.
  - Funds have been earmarked for all states and the hardest hit cities. Therefore, even though your community may be a CDBG entitlement community, it may not receive a direct allocation of NSP funds.
  - To identify grantees and allocation amounts, visit HUD's website at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/statelinks.cfm>



# Getting Involved in the Process

- Determine who at the state level and local level (if applicable) will be developing the substantial amendment. Remember:
  - Local jurisdictions have the ability to decline all or part of their NSP allocation and have the state administer those funds.
  - State grantees can allocate additional funds to NSP entitlement communities.
  - State grantees can distribute funds directly to projects.
- To see what information must be included in the substantial amendment, view the NSP Grant Submission Template and Checklist at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsptemplate.doc>



# Getting Involved in the Process

- Determine the willingness of the state and local NSP administrators to consider subcontracting some or all of the funds to nonprofit subrecipients.
- Determine the avenue for submitting project proposals.
  - When will proposals be accepted?
  - Is a specific format required?
  - What is the timeframe for submission of proposals?
  - What is the timeframe for the public comment period?
- Collaborate with NSP planners to include your proposed projects in the substantial amendment!

# Tips for Selling Your Projects to Substantial Amendment Decision-Makers

- Use data from existing HIV/AIDS housing and homeless planning efforts to demonstrate need.
  - Which specific subpopulations will you be working with?
  - What is the need versus the current inventory in your community? For what type of housing?
    - For example, housing funded under NSP could increase the supply of independent living units or provide additional supportive housing community residences.



# Tips for Selling Your Projects to Substantial Amendment Decision-Makers

- Potential benefits include the following:
  - Help meet the 25% targeting requirement.
  - Will help achieve their homeless assistance objectives in their Continuum of Care/HOPWA and Ten-Year Plans.
  - Will free up space in service-enriched transitional programs by moving those ready for independent living into permanent housing.
  - Housing persons with special needs reduces the burden on other publicly-funded systems (emergency rooms, jails, shelters).
  - Disposing of properties to nonprofits to operate as rental housing may actually help stabilize neighborhoods to a greater extent (because of the support and oversight by projects that help maintain clients in stable arrangements).



# Tips for Selling Your Projects to Substantial Amendment Decision-Makers

- To be successful, proposals must demonstrate your:
  - organizational capacity and past experience with similar projects;
  - readiness to begin implementation quickly; and
  - plan for completing the project within the statutory timelines, and successfully managing the project thereafter.



# Who should consider applying for NSP funds?

- Assess your organizational capacity.
  - Do you have development and property management experience, either directly or through partnerships?
  - Can you provide examples of special needs housing projects you currently own and operate? Provide data on how these projects are performing both in terms of finances and client outcomes.
  - Do you have the staff capacity to develop and operate a new project?



# Who should consider applying for NSP funds?

- Assess your readiness.
  - Do you have a ready network of relevant partners (e.g. general project developer, property management firm)?
  - Are staff available to hit the ground running? If not, what is your plan for hiring and training staff? How long will it take?

# Who should consider applying for NSP funds?

- What is your plan?
  - What is your proposed project timeline?
  - What sources of funds will you use for the capital (if necessary) and operating budget?
    - Highlight source(s) of operating funds for a period of at least five to ten years.
  - What eligibility criteria will you use for the project?
  - Do you have established policies and procedures for operating permanent supportive housing?

# Key Considerations – Making Special Needs Housing Projects Work

- Because of the relatively high operating and service costs of administering special needs housing, a project will be more likely to succeed if it has no debt to service.
- Thus, determine the NSP grantee’s willingness to “dispose” property to your organization.
- Sources for covering ongoing operating costs include the following:
  - Supplemental sources of income help special needs clients pay rent: SSI, SSDI, VA, TANF.
  - Operating costs are eligible activities under HUD’s HOPWA and SHP programs.

# Key Considerations – Other Important Questions to Ask

- Where are foreclosures happening in your community?
- Are there specific zoning restrictions in those neighborhoods that would impede your proposed projects?
- Are NIMBY issues likely to arise?
- What can/will you do to maintain or increase property values for other homeowners in the neighborhood?
  - Strong architectural design
  - Landscaping
  - Strong supportive services/property management



# Questions??

- Continue to visit the NSP page on HUD's website for additional information and guidance.
  - <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>
- Additionally, visit the NSP section of HUD's Homeless Resource Exchange for information and resources on developing and operating permanent supportive housing for persons with special needs.
  - <http://hudhre.info>
- Contact your HUD Field Office or a HUD-funded TA provider for assistance.

