

Neighborhood Stabilization Program: Serving Persons with Special Needs

Part 1 - NSP Overview

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

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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.

