NEIGHBORHOOD STABILIZATION PROGRAM DELIVERY SYSTEM

IMPLEMENTATION STRATEGY & MANAGEMENT

Program Design

Who does What, When, Where & How?
Production Goals & Budget per Eligible Use

- Acquisition
- Rehab or New Construction for Homebuyer Purchase or Rental
- Demolition
- Redevelopment
- Financing Mechanisms

Program Management

What will Grantee or Sub-Grantee manage & monitor?
What will be the work of Program Partners?
How will quality Program Partners be cultivated?

- Program Partners: Realtors, Housing Counselors, Private and Non-Profit Developers
- How to Form the Team: Outreach, Education, RFQs, and Incentives & Accountability

Compliance & Quality Control

How will Grantee or Sub-Grantee ensure their NSP complies with local, state & federal requirements?

- Management Information Systems
- Contracts and Templates for Project Underwriting, Program Management and NSP Monitoring
- DRGR Reporting: Obligation, Expenditure, Close-out and Program Income

OBLIGATION AND EXPENDITURE OF NSP FUNDS

Delivery System Process may be repeated as NSP Program Income is generated.

Cultivation of Homebuyers

How will Grantee or Sub-Grantee cultivate bankable & NSP-eligible homebuyers?

- Work with Realtors & Housing Counselors
- Residents, Employers, Public & Non-Profit Agencies, and Houses of Worship
- Target markets such as prospective urban pioneers or eligible post-foreclosure buyers
- Conduct Homebuyer Analysis, Income Cerfitication & Homebuyer Education

Acquisition Systems

How will Grantee or Sub-Grantee acquire volume of properties in Areas of Greatest Need?

- REO Listings
- Tax Foreclosures
- Mortgage Foreclosure Sheriff's Sales
- Bulk Purchase of Foreclosures through State Housing Agency, NCST, or GSEs
- Grantee or Sub-grantee verifies that properties in Area of Greatest Need

Project Feasibility

How will Grantee or Sub-Grantee ensure project meets NSP requirements, serves market demand, & provides optimal use of NSP?

- Property Assessment of Structural & Systems, Historical & Environmental Review, URA Marketability, and Blight
- Scope of Work & Budget
- Underwriting & Project Approval
- As-Is and As-Improved Appraisals

Financial Structuring

How will Grantee or Sub-Grantee determine financial structuring and appropriate subsidy amount for unit and/or homebuyer?

- Project Sources & Uses Budget
- Appraisal Gap Subsidy
- Buyer Affordability Analysis
- Affordable & Accessible First Mortgages
- Affordability Gap Subsidy
- Leverage NSP with HOME, CDBG & other Subsidies

Construction Management

How will Grantee or Sub-Grantee determine project is built according to scope of work and budget?
Ensure NSP funds are expended within four years?

- Rehabilitation & Redevelopment Standards
- Construction Timeline and Draw Schedule
- Inspection and Approval of NSP Draws
- Certificate of Occupancy

CAPITAL ACCESS

DRAFT
January 2009

Guidance on NSP-Eligible Acquisition & Rehabilitation Activities

This NSP Policy Guidance **describes how to determine whether or not a property is eligible for acquisition and or rehabilitation with NSP funds.** The following criteria will help determine eligibility: the NSP Notice published in the Federal Register on October 6, 2008 (statutory program requirements, waivers granted, and alternative requirements applied), timing parameters, acquisition protocols, a written agreement with any Third Party Entities (see page 3 for definition) prior to obligation of funds, and options for NSP acquisition assistance.

NSP Notice

The NSP Notice provides the criteria for acquiring and rehabilitating property under NSP. The Notice states that properties must have been **abandoned, foreclosed upon, or vacant** to qualify for NSP acquisition assistance (see Attachment). In purchasing homes and residential properties that have been foreclosed upon with NSP assistance, such **properties must be acquired out of foreclosure, meaning directly from the entities that obtained title to the properties through foreclosure (e.g., the lender or trustee for holders of obligations secured by mortgage liens). The acquisition of properties that have been abandoned with NSP assistance must occur while they are in abandonment status.**

Timing Parameters

NSP acquisitions are not authorized to begin until the grantee has submitted an action plan amendment to HUD. For most NSP grantees, the earliest acquisition start date would be December 1, 2008, but for those grantees that submitted an action plan amendment prior to December 1, 2008, an earlier date could be acceptable. For subgrantees, subrecipients, and other "Third Party Entities" (see definition on page 3), other requirements must first be met, as described in the Matrix on page 4.

Acquisition Procedures

In addition to submitting an action plan amendment**, NSP grantees and Third Party Entities alike must comply with the environmental review, purchase discount and appraisal (if foreclosed) and other eligible-use criteria** discussed in the Guidance on Eligible Uses prior to acquiring properties under NSP.

Agreements to Use NSP Funds

If the acquisition is performed by an "outside entity," the **grantee must give permission or enter into an agreement with the outside entity prior to the acquisition in order to qualify for NSP assistance under Eligible Use B**. **Properties acquired out of foreclosure before these requirements have been met are no longer foreclosed or abandoned and therefore are only eligible for NSP assistance activities identified under Eligible Use E (if vacant).** This agreement may take the form of a contract, written commitment, preliminary commitment or other form that clearly describes the responsibilities and the requirements of each party. See the Attachment for a more extensive discussion of agreements with Third Party Entities.

Options for NSP Acquisition Assistance

There are a variety of options that can be used to acquire property under NSP. HUD regulations distinguish eligible entities based on those identified in §570.201(a), §570.202(b), §570.202(n) and §570.204. Depending on which category your entity falls into there are different requirements that must be followed to ensure compliance with NSP regulations. Listed below is a chart that explains the revenue implications, selection criteria and OMB Circular requirements that apply for acquisitions under NSP. Detailed explanations follow on page 3.

<table>
<tr><th>CDBG Regulations</th><th>Entity</th><th colspan="2">Selection Criteria</th><th>Revenue Implications</th><th colspan="3">OMB Requirements</th></tr>
<tr><th></th><th></th><th>C</th><th>NC</th><th>Treated as Program Income</th><th>Part 85/ A-87</th><th>Part 84/ A-122</th><th>A-133</th></tr>
<tr><td rowspan="2">§570.201(a)</td><td>NSP Grantee</td><td>NA</td><td>NA</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr>
<tr><td>Subrecipient</td><td>GD</td><td>GD</td><td>Yes</td><td>No</td><td>Yes</td><td>Yes</td></tr>
<tr><td rowspan="5">§570.202(b)</td><td>NSP Grantee</td><td>NA</td><td>NA</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr>
<tr><td>Developer:
For Profit
Private Nonprofit</td><td>GD</td><td>GD</td><td>No</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td>Subrecipient:
Public Entity</td><td rowspan="2">GD</td><td rowspan="2">GD</td><td rowspan="2">Yes</td><td>Yes</td><td>No</td><td rowspan="2">Yes</td></tr>
<tr><td>Private Nonprofit</td><td>No</td><td>Yes</td></tr>
<tr><td>Individual Beneficiary</td><td>GD</td><td>GD</td><td>No</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>§570.201(n)</td><td>Individual Beneficiary</td><td>GD</td><td>GD</td><td>No</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>§570.204</td><td>CBDO</td><td>GD</td><td>GD</td><td>No</td><td>No</td><td>Yes</td><td>No</td></tr>
</table>

C – Competitive
NC – Non-competitive
NA – Not applicable
GD – Grantee determination
CBDO – Community-Based Development Organization
Individual Beneficiary – a homeowner who will occupy an NSP home as a primary residence

See following page for more detailed discussion of terms and regulatory bases.

Definition of Third Party Entities

Third Party Entities include subrecipients, individuals, and other private entities such as for-profit developers, non-profit developers or other entities. How they are selected, generate revenue, and keep records, summarized in the Table above, is described more fully below.

<u>Public Entity or Private Nonprofit as subrecipient</u> – Non-profit organizations and public entities under §570.201(a) can be designated by the NSP grantee as subrecipients, without a procurement process (See §570.500(c) for guidance). However, subrecipient agreements must conform to all the regulations under §570.503. Any revenues exceeding costs captured from properties sold or leased are classified as program income and must be used for NSP-eligible activities. At their option, grantees may allow subrecipients to retain Program Income, subject to §570.503 and 504.

<u>Private Nonprofit, a For-profit organization, or an Individual as developer (not a subrecipient) –</u> Non-profit organizations, For-profit organizations or individuals under §570.202(b)(1) can be given assistance to acquire residential property for the purposes of rehabilitation, resale, or use. The sales price of properties sold to NSP income-eligible individuals cannot exceed total costs (acquisition, rehabilitation, and development costs). Therefore, entities treated as developers must work within these parameters to generate a profit.

If engaged in rehabilitation, or for acquisition prior to rehabilitation, entities treated as developers may be selected through a competitive procurement process or may be designated as grant recipients without a procurement process. See §85.36 for procurement guidance. For rental projects or others not sold to individuals for use as a primary residence, revenues are not considered Program Income.

In addition, such entities are not subject to recordkeeping or audit requirements that do apply to subrecipients. This flexibility creates a burden on the grantee to underwrite all such transactions to avoid undue enrichment.

<u>Community-Based Development Organizations (CBDO)</u> – CBDOs are governed by the regulations in §570.204 and can be either nonprofit or for-profit entities. CBDOs can be treated as developers or subrecipients and would be subject to the same rules applied above depending on the grantee's determination of the relationship (whether the NSP grantee chooses to treat the CBDO as a developer or as a subrecipient).

Timeline Matrix

The following Matrix describes the **recommended sequence of events for grantees carrying out NSP activities directly and for those grantees that carry out NSP activities in collaboration with Third Party Entities**. These examples assume a simple transaction under Eligible Use B, in which property is acquired, rehabilitated, and sold, but the principles of these examples apply to all NSP assisted acquisitions and rehabilitation activities. The **requirements under B can be undertaken in any order, but MUST be performed prior to a commitment of funds** or a "choice-limiting action" as described in the Environmental regulations at 24 CFR Part 58. HUD encourages grantees to undertake tiered reviews, which can generally be completed for a group of properties in advance of the other steps in the process. Starting early also reduces the potential for delays at State Historic Preservation Offices.

RECOMMENDED SEQUENCE OF EVENTS FOR NSP ACQUISITION AND REHABILITATION

<table>
<tr><th></th><th>Direct Grantee</th><th>Subrecipient
(on behalf of grantee)</th><th>Private Developer
(for-profit, non-profit)</th><th>Individual:
Homeowner-Occupant</th></tr>
<tr><th colspan="5">A. BEFORE grant award</th></tr>
<tr><td>PRE-AWARD</td><td>May initiate activities before grant award by meeting all requirements and 570.200(h)</td><td colspan="2">May initiate action only with explicit approval of grantee and in compliance with all requirements in Section B.</td><td>No action advisable prior to grantee’s receipt of funds.</td></tr>
<tr><th colspan="5">B. AFTER grant award (No required sequence but MUST precede funds obligation)</th></tr>
<tr><td rowspan="2">AGREEMENTS</td><td rowspan="2">Internal agreements not required for any department under the grantee’s jurisdiction.</td><td colspan="2">Receive approval from grantee with agreement on who does what, when, how.</td><td rowspan="2">Apply to grantee or subrecipient to qualify based on income and other requirements. Receive preliminary approval to participate in NSP Program.</td></tr>
<tr><td>If permitted in agreement, subrecipient may incur administrative costs.</td><td>Developers MAY NOT incur administrative costs, but may charge fees and earn profits.</td></tr>
<tr><td>PROPERTIES</td><td colspan="3">Locate one or more foreclosed, abandoned, or vacant properties in the areas of greatest need to acquire for the NSP. Ensure property qualifies, by location, type, condition, etc.</td><td>Find eligible property, in collaboration with NSP grantee or other party.</td></tr>
<tr><td>PRE-ACQUISITION REQUIREMENTS
1. Environmental</td><td>Environmental review MUST be completed before committing funds. Only grantee can certify review & request release of funds</td><td colspan="2">Work with grantee to understand what must be done and ensure no commitment of funds (choice-limiting action) before release of funds. Grantee alone can certify and request release of funds.</td><td>Not Applicable
No role for Individual</td></tr>
<tr><td>2. Appraisal</td><td colspan="3">Order URA-compliant Appraisal if foreclosed property or if sale not voluntary. Sale is not voluntary when potential exists for eminent domain if agreement cannot be reached.</td><td>Grantee will inform if Individual is required to obtain appraisal.</td></tr>
<tr><td>3. Uniform Relocation Act</td><td colspan="3">Determine other URA applicability (e.g. relocation). American Recovery and Reinvestment Act places added restrictions on acquiring properties with tenants.</td><td>Not Applicable</td></tr>
<tr><td>4. Purchase Discount</td><td>Negotiate purchase discount with seller-servicer if foreclosed.</td><td colspan="3">Consult with grantee on process for purchase price discount with seller-servicer; only applies if property is foreclosed upon.</td></tr>
<tr><th colspan="5">C. Purchase and Post-Purchase Phase</th></tr>
<tr><td>ELIGIBILITY ATTAINED</td><td colspan="4">After this point, the property has eligibly been acquired. It retains this status through any subsequent sales or transfers, such as directly to an eligible end user, or to another entity for rehabilitation and later sale to an eligible end user (LMMI family).</td></tr>
<tr><td>REHABILITATION AND FINANCING OPTIONS</td><td colspan="4">If the home is in need of repair and/or financial subsidy to make it affordable to LMMI, there are different options based on the type of property (foreclosed, vacant, etc.) and which NSP Eligible Use the grantee has employed. See the NSP Policy Guidance page for more detailed discussion of Eligible Uses (and property types) and Homeownership Assistance.</td></tr>
<tr><td>INELIGIBLE PURCHASES</td><td colspan="4">If a participant has acquired a property BEFORE meeting all the requirements above, the home is generally considered ineligible because it is no longer “foreclosed or abandoned”. However, some NSP assistance may still be possible; see Attachment for discussion.</td></tr>
</table>

DEFINITIONS AND EXPLANATIONS

NSP-Eligible Acquisition Property Types

From Housing and Economic Recovery Act, Sec. 2301 (c)(3) and (f)(3)):

(A) purchase and redevelopment of foreclosed upon homes and residential properties,
(B) purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon,
(C) land banks for homes that have been foreclosed upon,
(E) redevelop demolished and vacant properties, and
(From the 25% set-aside for low-income families), purchase and redevelopment of abandoned or foreclosed upon homes and residential properties.

Potential Considerations for Agreements with Third Party Entities

The Agreement may include, but is not limited to, these considerations:

- Effective start and completion dates,
- Appropriate locations in which to purchase (areas of greatest need),
- Property types (abandoned, foreclosed, vacant, homes and/or residential properties),
- If foreclosed, need for appraisal and purchase discount,
- Selection criteria (quality, price, level of repairs needed, terms),
- Need for complete environmental review and release of funds prior to closing,
- Estimated/maximum amounts of NSP funds per unit and number of units,
- Financial considerations (loan, grant, reimbursement process, etc.),
- Responsibility for rehabilitation, if required,
- Eligible purchasers/tenants, affordable rents, continued affordability,
- Deadlines for completion, disposition procedures,
- Financial records,
- Recordkeeping and documentation requirements; see especially 570.506(h) for developers.

Ineligible Acquisitions and Subsequent Participation

If a participant has acquired a property before meeting all the requirements above, the building is generally considered ineligible for NSP acquisition assistance under Eligible Use B because it is no longer “foreclosed or abandoned”. However, acquisition is an option for activities identified under Eligible Use E and if the grantee planned to rehabilitate the home, the grantee (or Third Party Entity, with grantee approval) may eligibly use NSP funding for financing and rehabilitation (if granted an Exception by HUD)

February 3, 2009

NEIGHBORHOOD STABILIZATION PROGRAM
Explanation of Property Types under Each Eligible Use

INTRODUCTION

The Housing and Economic Recovery Act (HERA) uses different terms for each of the five Eligible Uses of funds in the Neighborhood Stabilization Program (NSP). HUD wishes to clarify these terms and to explain how this may affect what grantees can do with different types of property. The legislative language on Eligible Uses, following, shows the terms that will be discussed in underline. This memorandum also discusses the property types required to satisfy the requirement that 25% of the NSP funds are used to house individuals or families whose incomes do not exceed 50% of area median income.

In general, grantees must limit their activities in any Eligible Use only to those property types specifically cited. When combining uses (e.g. Acquisition and Rehabilitation under B with Financing under A), the more restrictive classification applies. All definitions should be understood to apply primarily to areas of greatest need or to constitute an improvement benefiting such areas as part of the overall NSP program. In addition, all activities must meet the national objective of benefiting low-, moderate-, or middle-income persons; NSP grantees may not use slum and blight removal or urgent needs as national objectives. Subsequent guidance will further define the correlated eligible activities from the CDBG entitlement regulations.

TERMS TO BE DISCUSSED

Housing and Economic Recovery Act Title III Sec. 2301 (c):

(3) ELIGIBLE USES.—Amounts made available under this section may be used to—

> (A) establish financing mechanisms for purchase and redevelopment of <u>foreclosed upon homes and residential properties</u>, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;
>
> (B) purchase and rehabilitate <u>homes and residential properties that have been abandoned or foreclosed upon</u>, in order to sell, rent, or redevelop such homes and properties;
>
> (C) establish land banks for <u>homes that have been foreclosed upon</u>;
>
> (D) demolish <u>blighted structures</u>; and
>
> (E) redevelop <u>demolished or vacant properties</u>.

Housing and Economic Recovery Act Title III Sec. 2301 (f) (3) (A):

> (ii) not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the <u>purchase and redevelopment of abandoned or foreclosed upon homes or residential properties</u> that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income.

DISCUSSION

A. Financing Mechanisms:

For “foreclosed-upon homes and residential properties”:

HUD interprets “homes” as any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not personal property). The NSP Notice defines “foreclosed”; see excerpt below.

“Residential properties” includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

NSP Notice Definition: Foreclosed. A property ‘‘has been foreclosed upon’’ at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

B. Purchase and Rehabilitation:

For “homes and residential properties that have been abandoned or foreclosed upon”:

As above, HUD interprets “homes” as any type of permanent residential dwelling unit, including detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not as personal property). The NSP Notice defines “abandoned” and “foreclosed”; see excerpts below.

“Residential properties” includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

NSP Notice Definition: Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

NSP Notice Definition: Foreclosed. A property ‘‘has been foreclosed upon’’ at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

C. Land Banks:

For “homes that have been foreclosed upon”:

This terminology limits land banking to “foreclosed upon” “homes” as defined above. The absence of a reference in this section to “residential properties” means that vacant land may NOT be acquired through land banks. However, it is permissible for acquired homes to be subsequently demolished and remain in the land bank.

Note that the definition of Land Banks at the beginning of the NSP Notice refers to vacant land, which has created some confusion. HUD regrets this inconsistency and is changing that section in an Errata Notice to be published soon.

D. Demolition:

For “blighted structures”:

The NSP Notice defines “blighted structures”, as shown below. HUD has taken the position that any type of structure that is blighted may be demolished with NSP funds. This means that commercial, industrial or other types of structures may be demolished in addition to homes and residential structures.

NSP Notice Definition: Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

E. Redevelopment;

For “demolished or vacant properties”:

This Eligible Use allows communities to address the broadest range of property types. Because the legislation does not limit this use to homes and/or residential properties, HUD will permit grantees to acquire and redevelop ANY property type. This includes commercial or industrial property in addition to all types of residential property. Note that property acquired under Redevelopment need not be abandoned or foreclosed upon.

However, it MUST be vacant. “Vacant properties” includes both vacant land and properties with vacant structures on the land. However, HUD understands redevelopment to imply that properties were once developed; therefore undeveloped or “greenfield” sites may not be acquired under Eligible Use E.

HUD expects that, unlike land banks, properties acquired and improved under Eligible Use E must proceed expeditiously to construction. Properties that are eligible to be land banked with unknown end uses, or for which the end use is not imminent, should be considered for Land Banks (assuming that they have been foreclosed upon). Some corollary considerations also merit discussion, which follows the next section on housing for low-income persons.

Title III Sec. 2301 (f) (3) (A): Housing for individuals or families whose incomes do not exceed 50% of area median income:

For "purchase and redevelopment of abandoned or foreclosed upon homes and residential properties":

HERA requires that grantees allocate 25% of their NSP funds for housing that serves lower income persons. Note that this is limited to abandoned or foreclosed upon homes or residential properties. The NSP definitions of "abandoned" and "foreclosed", listed above, apply here also. HUD takes the position that this section refers to permanent housing; thus, such uses as homeless shelters cannot count toward the 25% requirement.

RELATED CONSIDERATIONS

The following discussion concerns implications of the preceding clarifications, or instances in which more than one set of requirements apply.

First, new housing construction (benefiting low-, moderate-, or middle-income persons) is permitted under Eligible Use E, and ONLY under Eligible Use E. This supersedes the limitation on new construction of housing in the CDBG program and is described in Sec. II H. 3.c of the NSP Notice (see excerpt below on page 5).

Second, housing rehabilitation is currently not a CDBG-correlated eligible activity under Eligible Use E. However, HUD is issuing an Technical Correction Notice to add it. The CDBG regulations on public facilities (24 CFR 570.201 (c)) do allow rehabilitation. Thus, a vacant structure acquired under Eligible Use E may now be renovated into a public facility, such as a neighborhood center. After publication of the Errata Notice, grantees will also be able to rehabilitate vacant structures for housing.

Third, grantees may wish to construct new housing for persons at or below 50% of median income, especially affordable rental housing. In this case, the law requires that the property be abandoned or foreclosed upon. The Notice limits new construction to Eligible Use E, which can take place only on vacant or demolished property. Therefore, to meet the 25% requirement, new housing construction can occur only on demolished or vacant land that is either abandoned or foreclosed upon. After publication of the Technical Correction Notice, rehabilitation of vacant residential structures will be permissible, but to meet the 25% requirement the property must also have been abandoned or foreclosed upon.

Finally, as defined in the CDBG regulations below, shelters for persons with special needs (such as homeless shelters and halfway houses) are public facilities. Renovation or new construction of such structures is eligible as a public facility under Eligible Use E. However, because they are not defined as permanent housing, they cannot count towards the requirement that 25% of the NSP funds "be used to house individuals or families whose incomes do not exceed 50% of area median income".

ADDITIONAL REFERENCES

NSP Notice Dated Oct. 6, 2008
II. H. Eligibility and Allowable Costs

c. New construction of housing is eligible as part of eligible-use (E) to redevelop demolished or vacant properties.

Housing and Economic Recovery Act Title III Sec. 2301(f)
(3) LOW AND MODERATE INCOME REQUIREMENT.—
(A) IN GENERAL.—Notwithstanding the authority of the Secretary under paragraph (1)—

> (i) all of the funds appropriated or otherwise made available under this section shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income; and
>
> (ii) <u>not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties</u> that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income. (emphasis added)

CDBG regulations 24 CFR 570.201 (c):

Shelters for persons with special needs. Excerpt **–**
"Facilities designed for use in providing shelter for persons having special needs are considered public facilities …. Such facilities include shelters for the homeless; convalescent homes; hospitals, nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons and temporary housing for disaster victims."

NEIGHBORHOOD STABILIZATION PROGRAM
Explanation of Property Types under Each Eligible Use

INTRODUCTION

The Housing and Economic Recovery Act (HERA) uses different terms for each of the five Eligible Uses of funds in the Neighborhood Stabilization Program (NSP). HUD wishes to clarify these terms and to explain how this may affect what grantees can do with different types of property. Attachment A—NSP Eligible Uses by Property Type, was developed to serve as a visual aid to show the limitations and requirements that apply to NSP funds. The legislative language on Eligible Uses shows the terms that will be discussed in underline. This memorandum also discusses the property types required to satisfy the requirement that 25% of NSP funds are used to house individuals or families whose incomes do not exceed 50% of area median income.

In general, grantees must limit their activities in any Eligible Use only to those property types specifically cited. When combining uses (e.g. Acquisition and Rehabilitation under B with Financing under A), the more restrictive classification applies. All definitions should be understood to apply primarily to areas of greatest need or to constitute an improvement benefiting such areas as part of the overall NSP program. In addition, all activities must meet the national objective of benefiting low-, moderate-, or middle-income persons; NSP grantees may not use slum and blight removal or urgent needs as national objectives. Subsequent guidance will further define the correlated eligible activities from the CDBG entitlement regulations.

TERMS TO BE DISCUSSED

Housing and Economic Recovery Act Title III Sec. 2301 (c):

(3) ELIGIBLE USES.—Amounts made available under this section may be used to—

(A) establish financing mechanisms for purchase and redevelopment of <u>foreclosed upon homes and residential properties</u>, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

(B) purchase and rehabilitate <u>homes and residential properties that have been abandoned or foreclosed upon</u>, in order to sell, rent, or redevelop such homes and properties;

(C) establish land banks for <u>homes that have been foreclosed upon</u>;

(D) demolish <u>blighted structures</u>; and

(E) redevelop <u>demolished or vacant properties</u>.

Housing and Economic Recovery Act Title III Sec. 2301 (f) (3) (A):

(ii) not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the <u>purchase and redevelopment of abandoned or foreclosed</u>

upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income.

DISCUSSION

A. Financing Mechanisms:

For "foreclosed-upon homes and residential properties":

HUD interprets "homes" as any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not personal property). The NSP Notice defines "foreclosed"; see excerpt below.

"Residential properties" includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

NSP Notice Definition: Foreclosed. A property ''has been foreclosed upon'' at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

B. Purchase and Rehabilitation:

For "homes and residential properties that have been abandoned or foreclosed upon":

As above, HUD interprets "homes" as any type of permanent residential dwelling unit, including detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not as personal property). The NSP Notice defines "abandoned" and "foreclosed"; see excerpts below.

"Residential properties" includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

NSP Notice Definition: Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

NSP Notice Definition: Foreclosed. A property ''has been foreclosed upon'' at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

C. Land Banks:

For “homes that have been foreclosed upon”:

This terminology limits land banking to “foreclosed upon” “homes” as defined above. The absence of a reference in this section to “residential properties” means that vacant land may NOT be acquired through land banks. However, it is permissible for acquired homes to be subsequently demolished and remain in the land bank.

Note that the definition of Land Banks at the beginning of the NSP Notice refers to vacant land, which has created some confusion. HUD regrets this inconsistency and is changing that section in an Errata Notice to be published soon.

D. Demolition:

For “blighted structures”:

The NSP Notice defines “blighted structures”, as shown below. HUD has taken the position that any type of structure that is blighted may be demolished with NSP funds. This means that commercial, industrial or other types of structures may be demolished in addition to homes and residential structures.

NSP Notice Definition: Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

E. Redevelopment;

For “demolished or vacant properties”:

This Eligible Use allows communities to address the broadest range of property types. Because the legislation does not limit this use to homes and/or residential properties, HUD will permit grantees to acquire and redevelop ANY property type. This includes commercial or industrial property in addition to all types of residential property. Note that property acquired under Redevelopment need not be abandoned or foreclosed upon.

However, it MUST be vacant. “Vacant properties” includes both vacant land and properties with vacant structures on the land. However, HUD understands redevelopment to imply that properties were once developed; therefore undeveloped or “greenfield” sites may not be acquired under Eligible Use E.

HUD expects that, unlike land banks, properties acquired and improved under Eligible Use E must proceed expeditiously to construction. Properties that are eligible to be land banked with unknown end uses, or for which the end use is not imminent, should be considered for Land Banks (assuming that they have been foreclosed upon). Some corollary considerations also merit discussion, which follows the next section on housing for low-income persons.

Title III Sec. 2301 (f) (3) (A): Housing for individuals or families whose incomes do not exceed 50% of area median income:

For "purchase and redevelopment of abandoned or foreclosed upon homes and residential properties":

HERA requires that grantees allocate 25% of their NSP funds for housing that serves lower income persons. Note that this is limited to abandoned or foreclosed upon homes or residential properties. The NSP definitions of "abandoned" and "foreclosed", listed above, apply here also. HUD takes the position that this section refers to permanent housing; thus, such uses as homeless shelters cannot count toward the 25% requirement.

RELATED CONSIDERATIONS

The following discussion concerns implications of the preceding clarifications, or instances in which more than one set of requirements apply.

First, new housing construction (benefiting low-, moderate-, or middle-income persons) is permitted under Eligible Use E, and ONLY under Eligible Use E. This supersedes the limitation on new construction of housing in the CDBG program and is described in Sec. II H. 3.c of the NSP Notice (see excerpt below on page 5).

Second, housing rehabilitation is currently not a CDBG-correlated eligible activity under Eligible Use E. However, HUD is issuing an Technical Correction Notice to add it. The CDBG regulations on public facilities (24 CFR 570.201 (c)) do allow rehabilitation. Thus, a vacant structure acquired under Eligible Use E may now be renovated into a public facility, such as a neighborhood center. After publication of the Errata Notice, grantees will also be able to rehabilitate vacant structures for housing.

Third, grantees may wish to construct new housing for persons at or below 50% of median income, especially affordable rental housing. In this case, the law requires that the property be abandoned or foreclosed upon. The Notice limits new construction to Eligible Use E, which can take place only on vacant or demolished property. Therefore, to meet the 25% requirement, new housing construction can occur only on demolished or vacant land that is either abandoned or foreclosed upon. After publication of the Technical Correction Notice, rehabilitation of vacant residential structures will be permissible, but to meet the 25% requirement the property must also have been abandoned or foreclosed upon.

Finally, as defined in the CDBG regulations below, shelters for persons with special needs (such as homeless shelters and halfway houses) are public facilities. Renovation or new construction of such structures is eligible as a public facility under Eligible Use E. However, because they are not defined as permanent housing, they cannot count towards the requirement that 25% of the NSP funds "be used to house individuals or families whose incomes do not exceed 50% of area median income".

ADDITIONAL REFERENCES

NSP Notice Dated Oct. 6, 2008
II. H. Eligibility and Allowable Costs

c. New construction of housing is eligible as part of eligible-use (E) to redevelop demolished or vacant properties.

Housing and Economic Recovery Act Title III Sec. 2301(f)
(3) LOW AND MODERATE INCOME REQUIREMENT.—
(A) IN GENERAL.—Notwithstanding the authority of the Secretary under paragraph (1)—

> (i) all of the funds appropriated or otherwise made available under this section shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income; and
>
> (ii) <u>not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties</u> that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income. (emphasis added)

CDBG regulations 24 CFR 570.201 (c):

Shelters for persons with special needs. Excerpt **–**
"Facilities designed for use in providing shelter for persons having special needs are considered public facilities …. Such facilities include shelters for the homeless; convalescent homes; hospitals, nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons and temporary housing for disaster victims."

NSP Eligible Uses by Property Type

	Eligible Uses	Foreclosed Homes and Residential Properties	Abandoned Homes and Residential Properties	Blighted Structures	Demolished Properties	Other Vacant Properties
A	**Financing Mechanisms**	Yes	No	Only if Foreclosed (1)	N/A	Only if Foreclosed(1)
B	**Purchase and Rehab**	Yes	Yes	If Foreclosed or Abandoned	N/A	No
C	**Land banks**	Yes (Homes only)	No (Foreclosed only)	Only if Foreclosed home	No	No
D	**Demolition**	Only if Blighted (3)	Only if Blighted (3)	Yes	N/A	Only if Blighted (3)
E	**Redevelopment**	Only if Vacant (5)	Only if Vacant (5)	Only if Vacant (5)	Yes	Yes
	Comments			*Locally defined Not limited to residential structures.*	*Not limited to residential structures.*	*Land or structures. Not limited to residential property*

NSP Notice Definition: Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

NSP Notice Definition: Foreclosed. A property ''has been foreclosed upon'' at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.
Low-income Set-aside (25% of funds for individuals at or under 50% Area Median Income): The legislation says that these funds "shall be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties". Vacant land under Eligible Use E, must also be foreclosed upon or abandoned for any housing constructed on it to qualify for the set-aside requirement.

Homes and Residential Properties: HUD interprets "homes" as any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not personal property). "Residential properties" includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

SC State Housing Finance & Development Authority, 300-C Outlet Pointe Blvd., Columbia, SC 29210, (803) 896-9001 www.schousing.com

The NSP Program requires appraisals to be performed with respect to the NSP funded acquisition of foreclosed upon homes and residential properties, even though they may be considered voluntary under the URA. In those cases, the URA appraisal requirements of 49 CFR 24.103 must be met. The following guidance on appraisals pertains to acquisitions of foreclosed upon homes and residential properties which meet the applicable voluntary acquisition requirements of 49 CFR 24.101(b) and reflects applicable URA requirements and the NSP requirements, including the URA appraisal requirements of 49 CFR 24.103.

1. The NSP grantee must ensure that the owner is informed in writing of what the grantee believes to be the market value of the property; and that the NSP grantee will not acquire the property if negotiations fail to result in a an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)).

2. If NSP funds are to be used to acquire a foreclosed upon home or residential property (other than through donation), the grantee must ensure that the purchase price includes the discount value of fifteen percent (15%) discount from the value established by an appraisal that meets the following requirements:

    a. The appraisal must have been completed within **60 days** of the offer made for the property (we have advised that an initial offer can be made, subject to the completion of the appraisal within 60 days of a final offer).

    b. The appraisal must meet the URA definition of an appraisal (see 49 CFR 24.2(a)(3) and the five following requirements (see 49 CFR 24.103(a)(2)):

        i. An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.

        ii. All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.

        iii. A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.

        iv. A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.

        v. The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

    c. The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.

d. If the owner of a real property improvement is permitted to retain it for removal from the project site, the amount to be offered for the interest in the real property to be acquired shall be not less than the difference between the amount determined to be just compensation for the owner's entire interest in the real property and the salvage value (defined at §24.2(a)(24)) of the retained improvement.

3. The NSP grantee has a legitimate role in contributing to the appraisal process, especially in developing the scope of work and defining the appraisal problem. The scope of work and development of an appraisal under these requirements depends on the complexity of the appraisal problem. HUD's guide to preparing an appraisal scope of work under the URA is available in HUD Handbook 1378- Appendix 19 or through the following link:

   http://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/1378.0/1378x19CPDH.pdf

4. The NSP grantee shall establish criteria for determining the minimum qualifications and competency of appraisers. Qualifications shall be consistent with the scope of work for the assignment. The NSP grantee shall review the experience, education, training, certification/licensing, designation(s) and other qualifications of appraisers, and use only those determined by the NSP grantee to be qualified.

5. If the NSP grantee uses a contract (fee) appraiser to perform the appraisal, such appraiser shall be State licensed or certified in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 *et seq.*).

In those cases in which a NSP grantee wishes to use an appraisal provided by the lender, it is acceptable as long as the appraisal meets the requirements provided above in sections 1 through 5.

NSP respondents will develop a scope of work for procuring the services of an appraiser (or requires someone else to procure those services) or is relying on a lender's (the owner of the foreclosed upon property) appraisal that is determined by the NSP grantee to meet above requirements. If the appraisal is performed by an in-house appraisal staff the procurement and/or scope of work is not required.

Allowable Activity Delivery Costs

Guide Only*		
Activity	Range of Delivery Cost % or Amount	Comments
Realtor Fees	3 - 6%	Fee should be reduced for multiple properties in 18 month period from same RE firm.
Developer Fee - Acquisition	2 - 5%	Maximum of 4-6% between Realtor and Developer Fees for acquisition, in both cases, the fee should be reduced for multiple properties in 18 month period.
Developer Fee (includes labor standard compliance)	10 - 15%	Range to reflect complexity of property - Fee for construction/ rehab hard & soft cost (excluding developer's fees) total - No fee for cost overruns beyond established contingencies. Total RE and/or Devloper Fees cannot exceed 15-20% based on complexity.
Appraisal Fee	$300 - $600	For 1 & 2 unit properties
Attorney's Fees (Closing/Settlement/Document Prep)	$500 - $850	High end of range for dual representation of lender & buyer. Consistent with existing fee schedule.
Title Search Fee	$100 - $300	Up to $500 if court review is required
Title Insurance Fee (Lender's Coverage)	$3.75 / K coverage	Based upon estimated CATIC cost - per property
Lead-Based Paint Risk Assessment/Mgmt Plan Fee	$500 - $750	Per unit
Asbestos Inspection Fee	$150 - $350	Per unit
Lender Draw Inspection Fee	$100 - $200	Per draw up to maximum of nine draws
Lender Origination Fees	.75 - 1.25%	Of Other Funders loan amount
Survey (A-2) Fee	$500 - $950	Per property
Cost Certification Fee	$500 - $750	Per property
Energy Star Certification	3 Written Quotes	Per property - independent third party required -Recommended: Initial Plan Review – Optional - a one-time rating from plans and specifications to determine project level upgrade recommendations. Understand the options and requirements for your project before you commit; Pre-Drywall Inspection to verify air sealing and insulation of the foundation, envelope and duct systems; and Final Inspection, Testing & Certification: Determines specific performance characteristics of the house and systems (including building envelope and duct leakage) and final qualification for ENERGY STAR labeling.
Homebuyer 8-Hour Prepurchase Counseling Fee	$200 - $350	For 8 hour course
Homebuyer Additional Hourly Prepurchase Counseling Fee	$25 - $45	Per hour
* Range of Delivery Costs will vary when a city procures services. This is a guide and does not replace a City's procurement obligations. DECD retains right to determine reasonableness of all fees that are beyond this guide.		

ADDENDUM TO AGREEMENT TO PURCHASE REAL ESTATE

THIS FORM IS INTENDED FOR USE ONLY IN CONNECTION WITH THE ACQUISITION OF ABANDONED AND FORECLOSED UPON HOMES AND RESIDENTIAL PROPERTIES. THE BUYER HEREUNDER IS A POSSIBLE SUBRECIPIENT OF FEDERAL FUNDS FROM THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) UNDER TITLE III OF DIVISION B OF THE HOUSING AND ECONOMIC RECOVERY ACT, 2008. SUCH FUNDS SHALL HEREINAFTER BE REFERRED TO AS "NSP FUNDS."

This is an addendum ("Addendum") to the Agreement to Purchase Improved Real Estate of even date herewith (the "Agreement"), wherein the ____ ("Seller") agreed to sell to ____ ("Buyer"), a possible subrecipient of NSP funds, certain residential real estate located at ______________________________ (the "Real Estate").

1. Seller acknowledges that federal financial assistance will be used in this transaction. If the contingencies in the Agreement and this Addendum are not met, the Buyer will not be the subrecipient of NSP funds from the City of _______________ ("Subgrantee"), in which event the Agreement will terminate, Seller will refund the full amount of the earnest money deposit and the Buyer will have no obligation to acquire the Real Estate.

2. In addition to foregoing, Buyer's obligation to purchase the Real Estate shall be further conditioned on the following:

(a) The Purchase Price shall be equal to or less than eighty-five percent (85%) of the current appraised market value of the Real Estate, as established by an appraisal of the Real Estate that conforms with the requirements of the Uniform Relocation Assistance Real Property Acquisition Policies Act of 1970 (URA) set forth at 49 CFR 24.103 completed within sixty (60) days of the date of this Purchase Agreement.

(b) Approval of the purchase of the Real Estate by the Subgrantee as part of the State of Michigan Neighborhood Stabilization Program.

(c) Financing of the Purchase Price by the Subgrantee from NSP funds.

(d) Approval of the Buyer's plan and specifications by the Subgrantee for the rehabilitation of the Property (the "Rehabilitation Plan").

(e) Financing by the Subgrantee of the costs of rehabilitation of the Property from NSP funds in accordance with the Rehabilitation Plan.

(f) The completion of an environmental review that conforms with the requirements of the National Environmental Policy Act of 1969 set forth in 24 CFR 58 ("Environmental Review") of the Real Estate by the Subgrantee, which Environmental Review shall be acceptable to the Subgrantee, in its sole discretion.

(g) The completion of a historic review that conforms with the requirements of Section 106 of the National Historic Preservation Act of 1966 set forth in 36 CFR Part 800 ("Historic Review") of the Real Estate by the Subgrantee, which Historic Review shall be acceptable to the Subgrantee, in its sole discretion.

(h) Compliance with the requirement set forth in the URA

3. To the extent any provision of this Addendum is inconsistent with the Agreement, this Addendum shall control.

4. Timing for Closing - [To Come]

5. Preliminary Agreement - [To Come]

IN WITNESS WHEREOF, the Parties execute this Addendum No. 1 to Agreement to Purchase Real Estate this _______ day of ___________________, 20____.

By: ________________________________	By: ________________________________
Seller Date	Buyer Date
By: ________________________________	By: ________________________________
Seller Date	Buyer Date

Updated June 3, 2009
See red text below

Neighborhood Stabilization Program 2
Frequently Asked Questions

Q. Can jurisdictions that received NSP1 funds, apply for NSP2 funds?
A. Yes. States, units of general local government, nonprofits, and consortia of nonprofits are all eligible applicants for NSP2 if they meet the necessary criteria. See p.2, paragraph I.A.3 of the NOFA.

Q. I am a for-profit entity, am I eligible to apply for NSP2 funds?
A. No. However, any of the above mentioned eligible entities - states, units of general local government, nonprofits, and consortia of nonprofits – may partner with for-profits to apply for NSP2 funding. See p.2, paragraph I.A. of the NOFA.

Q. How can for-profit entities find an eligible applicant to partner with?
A. One of the best places to start your search for an eligible applicant to partner with would be to check out the list of NSP1 grantees which can be found at: http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/contacts/index.cfm. Also, you can get a list of Public Housing Agencies across the country at: http://www.hud.gov/offices/pih/pha/contacts/index.cfm. A list of HOME participating jurisdictions can be found at: http://www.hud.gov/offices/cpd/affordablehousing/programs/home/contacts/.

Q. I see that a consortium of non-profits can apply for NSP2 funding, how does NSP2 define non-profit entities?
A. Nonprofit entities are public and private nonprofit organizations, including governmental entities that are organized under state, local or tribal laws for other than profit-making activities. Public nonprofits include states, local governments, Indian tribes, and public housing authorities. See p.9, paragraph II.A.2 of the NOFA.

Q. Can jurisdictions receive a waiver on the deadline for submission?
A. No. All applications must be received via paper submission to the Robert C. Weaver HUD Headquarters building by 5:00 p.m. (EST) on July 17, 2009. See p.17, paragraph III.A.3 of the NOFA.

Q. Can an entity be a lead applicant on multiple NSP2 applications?
A. No entity may be the lead applicant on more than one NSP2 proposal. No one entity may be an applicant under more than one NSP2 proposal for a particular target geography or subset thereof. See p.11, paragraph II.A.7 of the NOFA.

Q. My region doesn't have a lot of census tracts with need scores over 18, can I still apply for NSP2 funding?

A. Any applicant proposing to carry out NSP2 activities *must* identify neighborhoods that meet one or the other of the following requirements (you may only select one method):

(1) The *average* foreclosure needs index score for the identified target geography must be 18 or greater, as indicated by the index; or

(2) The *average* foreclosures with vacancy risk index score for the identified target geography must be 18 or greater, as indicated by the index.

Applicants should keep in mind that your proposed target geography need not be *contiguous*. You must demonstrate that your NSP2 proposal will assist all of your proposed target geography. Single neighborhood, city-wide, metropolitan area-wide, regional, and national scale NSP2 applications are all possible. See p.14, paragraph II.B.8.b & c of the NOFA.

Q. How do I find out if my target areas meet the index score threshold?

A. Data and instructions for calculating the scores for your proposed target geography using the online NSP need calculation tool is available on the HUD website (http://www.hud.gov/nsp), or you can go directly to the mapping tool (http://www.huduser.org/nspgis/nsp.html).

Q. When will the Need Factor website be available to the public?

A. In June, additional capacity will be added to the website (http://www.huduser.org/nspgis/nsp.html) to allow saving and editing a geographic configuration prior to submission. Please see page 17 of the NSP2 NOFA for additional details.

Q. How long can my NSP2 application be?

A. Narratives addressing Factors 1-6 must be formatted so that the total number of pages submitted are equal to no more than 40 single-sided pages of single spaced text based on an 8.5 by 11 inch paper, using a standard 12 point font. A consortium is permitted up to 5 additional pages (total) to address the past experiences of its individual consortium members. You are permitted up to 1 additional page to describe the past experiences of each for-profit partner. Required appendices, forms, certifications, statements, and assurances are not subject to the page limitations. See p.19, paragraph III.A.3.g of the NOFA.

Q. I've completed 75 units of demolition. Does that qualify me for an NSP2 grant for acquisition and rehabilitation?

A. No. HUD will only consider you to achieve the 75-units of housing threshold if you demonstrate sufficient organizational capacity <u>relevant to each NSP2 activity you propose to carry out.</u> See p.14, paragraph II.B.7 of the NOFA.

**Note that one housing project may consist of multiple units of housing.

Q. I've only completed 30 units of acquisition and rehabilitation, but the other members of my consortium have completed more than 45 units combined. Does this qualify my consortium for an NSP2 grant for acquisition and rehabilitation?

A. Yes. NSP2 funds can be awarded to a consortium of nonprofits. A consortium is defined as two or more private or public nonprofit organizations that collectively have the capacity and experience to carry out the proposed NSP2 activities in the target geography and that enter into an agreement to submit a single application for NSP2 funding. See p.9, paragraph II.A.4 of the NOFA.

Nonprofit entities are public and private nonprofit organizations, including governmental entities that are organized under state, local or tribal laws for other than profit-making activities. Public nonprofits include states, local governments, Indian tribes, and public housing authorities. See p.9, paragraph II.A.2 of the NOFA.

Q. I represent a state entity and my entity has not directly completed any of the NSP eligible activities, but we have provided oversight for CDBG activities. Does this count as expertise in meeting the "demonstrated organizational capacity" requirement for NSP2 funding?

A. Yes, overseeing the implementation of CDBG or NSP activities does count towards organizational capacity.

Q. If a nonprofit partners with a for profit entity can their combined experience within the last 24 months count towards meeting the 75 units of housing threshold?

A. The capacity of a for-profit partner will be considered if the firm commitment required by the NOFA is part of the application.