



For-Profit Development Community Eligible to Receive Federal HUD Funds through Competitive Application Process

Neighborhood Stabilization Program 2 ~ Applications due July 17, 2009

As appropriated in the American Recovery and Reinvestment Act (ARRA) of 2009, HUD released a Notice of Funding Availability (NOFA) to announce the criteria, rules and requirements for eligible applicants to compete for the second round of the Neighborhood Stabilization Program (NSP2). For-profit organizations are among the entities eligible to compete for funds, provided they apply as part of a consortium and have projects located in HUD-designated areas of greatest need. Inclusions of for-profit organizations shows an awareness of the important role the private development industry can play in renovating communities.

The expressed goals of NSP2 are a) arrest neighborhood decline and b) reduce or eliminate vacant and abandoned property in target geography. NSP2 is a component of the Community Development Block Grant program and must retain CDBG distinctive requirements. Aggressive, innovative strategies to impede decline and generate renewal are explicitly welcomed.

Quick Facts

Award Amount: \$1.93 billion designated for NSP2 activities.

Application Process: Competitive application process (versus a formula disbursement process in NSP1 distributed to states and units of general local government).

Minimum award size: \$5 million. Must demonstrate an impact of returning 100 abandoned or foreclosed properties to productive use or eliminating their blighting influence.

Targeted Geographic Areas: Use HUD's NSP Foreclosure Need Map (<http://www.huduser.org/nspgis/nsp>) to select a target area based on a foreclosure + vacancy index. The area does not have to be contiguous. Can include single neighborhoods, city-wide, regional or national.

Timeline: recipient must expend 50% of allocated funds within 2 years of the date funds are available to the recipient, and 100% of funds must be expended within 3 years.

Eligible Applicants: Units of general local government, state government, nonprofit entity, and a consortium of state governments, local governments, nonprofits and for-profits are eligible applicants. Specific requirements for different types of eligible applicants exist.

Eligible Activities

Five eligible activities were announced and described under division B, title III of the Housing and Economic Recovery Act of 2008 (NSP round 1). Established in the NSP2 NOFA, two regulatory changes – detailed below – are applicable for NSP2 grant awardees.

Eligible activities include:

1. Establishment of financing mechanisms for the purchase and redevelopment of foreclosed homes;
2. Purchase and rehabilitation of properties that have been abandoned or foreclosed on;
3. Establishment and operate land banks for homes and residential properties that have been foreclosed upon;
Please note: regulatory change occurred with this activity to read “establish land banks for homes and residential properties that have been foreclosed upon.” This allows for all residential properties as eligible for land banking purposes, whereas the original HERA language permitted only “homes.”
4. Demolition of blighted structures; and
5. Redevelopment of demolished or vacant properties
Please note: in the NSP2 NOFA, this eligible use was amend to read “redevelop demolished or vacant properties as housing.” This restricts redevelopment to residential projects only, whereas the original HERA language permitted redevelopment for non-residential uses.

Legislative Background

Title III of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, enacted July 30, 2008, authorized the round one of the Neighborhood stabilization program (NSP1) through the Community Development Block Grant program, funding \$3.92 billion to localities to reposition abandoned and foreclosed-upon homes as affordable and workforce housing.

Division A, Title XII of the American Recovery and Reinvestment Act of 2009 (ARRA), Public Law 111-5, enacted February 17, 2009, provided \$2 billion in additional funding for NSP for a competitive allocation (round two) and for Technical Assistance.

Regulatory Guidance

On October 6, 2008, HUD issued a Notice for NSP, Round One, 73 FR 5255, advising the public of the allocation formula and allocation amounts, the list of grantees, alternative requirements and waivers of regulations granted to grantees under Title III of Division B of the Housing and Economic Recovery Act of 2008. Recently, HUD issued a Bridge Notice for NSP, Round One, to provide revisions and technical corrections to NSP1. Information for NSP1, including the federal register may be found at: <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1>.

On May 4, 2009, HUD released the Notice of Funding Availability (NOFA) for NSP, Round Two, 73 FR 5321 advises the public of the fund availability, competitions criteria, alternative requirements, and waivers of regulations granted to recipients under Division A, Title XII of the American Reinvestment and Recovery Act of 2009. Recently, HUD issued a Correction Notice for NSP, Round Two to allow a fuller application to the geographic targeting threshold requirement, to make technical corrections to eligible NSP activities and rescind the aggregate 5% purchase discount. Information on NSP2, including the federal register for both the NOFA and Correction Notice, may be found at: <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrafactsheet>.

Additional Information

For additional information, the following documents are recommended:

- NSP1 FAQs issued by HUD:
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspfaq.cfm>
- NSP2 FAQs issued by HUD:
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2faq.pdf>
- NSP2 Webcast created by HUD:
http://ms.istreamplanet.com/hud/?vid=1037_232_NoCat8
- Summary of NSP2 issued by Enterprise Community Partners including the technical competitive factors:
http://www.enterprisecommunity.org/public_policy/foreclosure_prevention/documents/summary_of_nsp_competitive_application_requirements.pdf
- Summary of key changes from NSP1 to NSP2 issued by Enterprise Community Partners:
http://www.enterprisecommunity.org/public_policy/foreclosure_prevention/documents/summary_of_nsp_program_changes.pdf

If you have further questions regarding the Neighborhood Stabilization Program, please contact:

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