

## ACQUISITION AND RELOCATION

**Q: Can an NSP grantee perform a neighborhood-wide appraisal to determine the current market assessed value of properties that are being considered for acquisition?**

**A:** No. All NSP grantees must have an appraisal done on each separate property purchased with NSP funds.

**Q: Can the appraisal be completed by the lender holding the property or must the acquiring entity order the appraisal?**

**A:** The appraisal can be ordered by either party as long as it is issued within 60 days from the date of the final offer and it complies with the NSP Appraisal Guidance (located on the NSP website under [Policy Guidance](#)).

**Q: Must the purchaser provide written notice to the owner that it will not acquire the property if negotiations fail to result in agreement, and inform the owner in writing of what it believes to be the fair market value of the property?**

**A:** Yes. The owner of record must be notified in writing that Federal financial assistance will be used in the transaction and that if agreement cannot be reached through negotiation, that the acquisition will not take place. Further, the owner must be advised that under NSP, the acquisition price must be at a discount from the fair market value.

## ALLOWABLE COSTS

**Q: When preparing a budget for the cost to acquire and redevelop a home, what is the standard development fee?**

**A:** There is no “set” development fee, so you will need to determine what you feel is a reasonable fee, which is typically based on a percentage of the sale price of the home.

**Q: If an NSP grantee incurs eligible costs through a failed acquisition of an abandoned or foreclosed property, are the incurred costs still eligible?**

**A:** Generally, yes. For drawdown and reporting purposes, a grantee can allocate the project delivery costs of property acquisitions (or considering purchasing) across all properties under the acquisition eligibility category.

**Q: Would we be able to pay for energy efficient appliances as part of a rehabilitation activity?**

**A:** Yes. Appliances that can be provided in the CDBG program may also be provided in the NSP Program. These include refrigerators and stoves, but do not include washers, dryers, and window air conditioners. HUD strongly encourages grantees to incorporate modern, green building, and energy-efficiency improvements in all NSP activities.

**Q: There will be a period of time between acquisition, rehabilitation, and resale where the NSP grantee will need to maintain the property (e.g. grass cutting, insurance, etc.). Can the NSP grantee recover those costs from NSP funds as a delivery cost related to the activity?**

**A:** Yes. The CDBG regulations specifically permit temporary property maintenance as part of Disposition. The only constraint for NSP is that you cannot add these costs to the eventual purchase price.

## **REHABILITATION AND RESALE**

**Q: How do I determine the sale price of a home?**

**A:** In determining the sale price, the developer may consider the direct and activity delivery costs (sales and closing costs are eligible NSP redevelopment costs). You cannot include the costs of boarding up, lawn mowing, or simply maintaining the property in a static condition. Remember that the price for selling a home to assisted households cannot exceed the cost to acquire and redevelop the home.

**Q: When the homebuyer closes on the home, where does the money go? Does it return to HCDD or would it be retained by the subrecipient? What are the requirements for the funds at that point? Are these particular funds required to be continually used for the below 50% AMI population?**

**A:** HCDD will determine the NSP Loan terms, which may allow for proceeds from sale to be retained by the non-profit developer to engage in further NSP eligible low-moderate income housing programs. HCDD will specify the terms in the NSP Loan agreement, in accordance with NSP requirements.

**Q: Would the construction of a new home on the site of a demolished blighted home be considered new construction or rehabilitation?**

**A:** This activity would be considered rehabilitation. The number of dwelling units on the site may not be increased, but the number of rooms per unit may be increased or decreased.

**Q: Can a subrecipient of an NSP grantee hire a for-profit entity?**

**A:** HCDD plans to partner with non-profit developers who have experience in performing the necessary work, although an NSP grantee may hire a for-profit entity. Please see 24 CFR 570.200(f) *Means of carrying out eligible activities* for further guidance.

## **TIMELINESS OF USE AND TRACKING OF FUNDS**

**Q: How long will we need to track these particular funds?**

**A:** As long as you are using funds for NSP eligible activities, you will need to track all related costs and income.

**Q: If the tracking period is the length of the program (three years), what happens to those funds after the tracking period is over? Can we continue to use those funds for low income housing projects or are we required to return them to HCDD?**

**A:** HCDD will determine the NSP Loan terms, which may provide for forgiveness of the developer's repayment obligations, in whole or in part, upon completion of the approved activities. HCDD will specify the terms in the NSP Loan agreement, in accordance with NSP requirements.

*Please refer to [HUD'S NSP website](#) for more details and answers to other [NSP Frequently Asked Questions](#).*