Neighborhood Stabilization Program

Application Workshop

Housing & Community Development

June 9, 2009

NSP Background

- Authorized under Title III of the Housing and Economic Recovery Act (HERA) of 2008
- Funding provided to rehabilitate, resell, or redevelop foreclosed or abandoned homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes

Key Definitions

- Foreclosed – the mortgage or tax foreclosure is complete under state/local law and title has been transferred
- Abandoned – mortgage or tax foreclosure proceedings have been initiated, owner has made no mortgage or tax payments for at least 90 days, AND property has been vacant for at least 90 days

Eligible Borrowers

Not-for-profit 501(c)(3) organizations who

- Can provide evidence of IRS tax-exempt status plus a certificate of good standing from the Secretary of State of the State of Texas
- Are in good standing with HCDD on all previous loans
- Have no defaults or negative collection actions
- Have no team members who are “debarred”
- Have no management issues outstanding

Program Activities

- Acquire foreclosed properties at a maximum of 85% of appraised market value
- Rehabilitate homes and perform all needed repairs to bring properties into compliance with HCDD's Minimum Property and Rehabilitation Standards (www.houstontx.gov/housing/pdf/minrehabstandards.pdf)
- Sell rehabilitated homes to income-qualified households earning less than 50% of Area Median Income (AMI) as defined by HUD. <u>Housing units must be sold at or below cost of acquisition and rehabilitation</u>.

50% AMI Income Targeting

NSP requires that 25% of funds must be used to purchase and redevelop foreclosed properties for housing individuals and families whose incomes do not exceed 50% AMI.

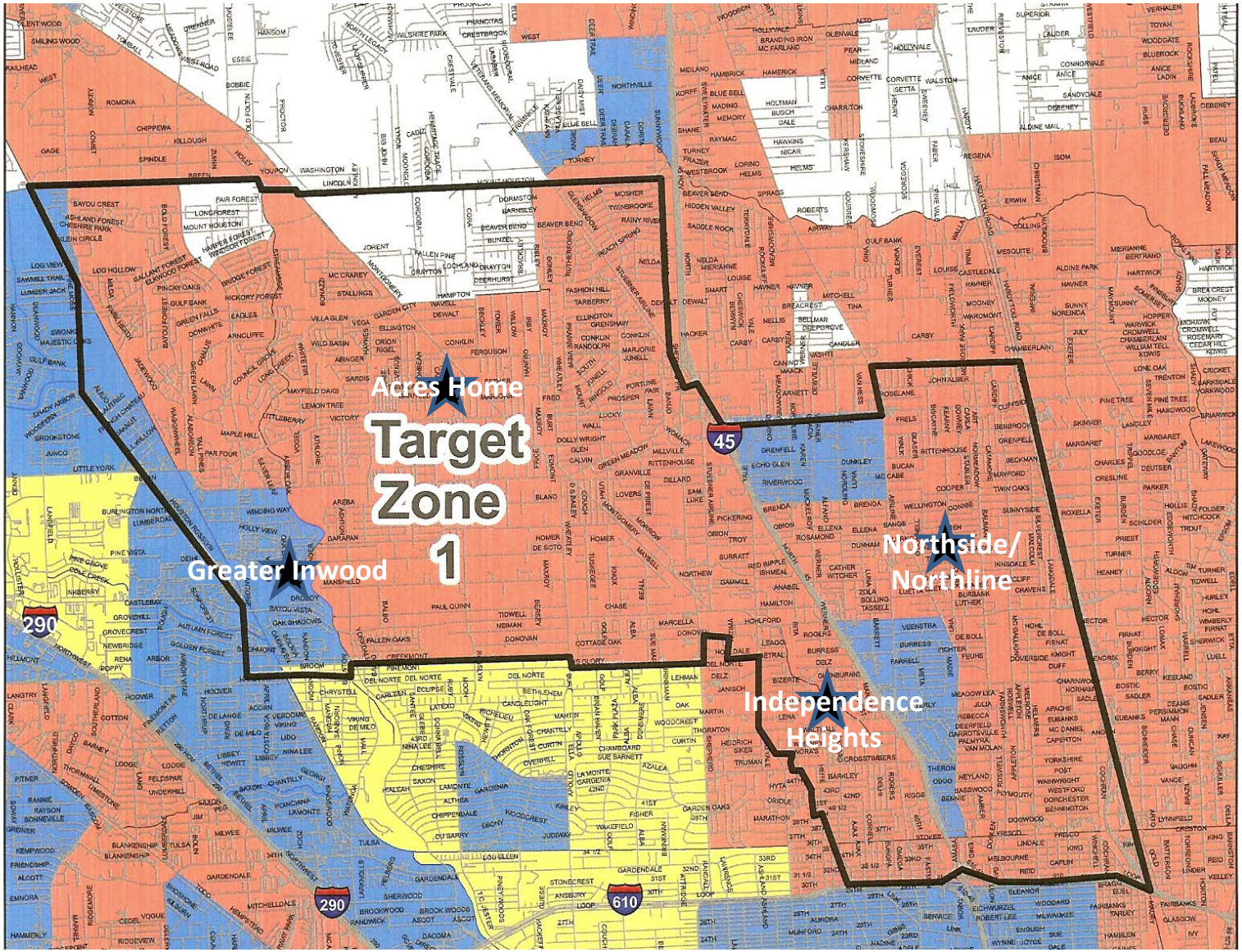
This program addresses this requirement.

Three Target Geographic Zones

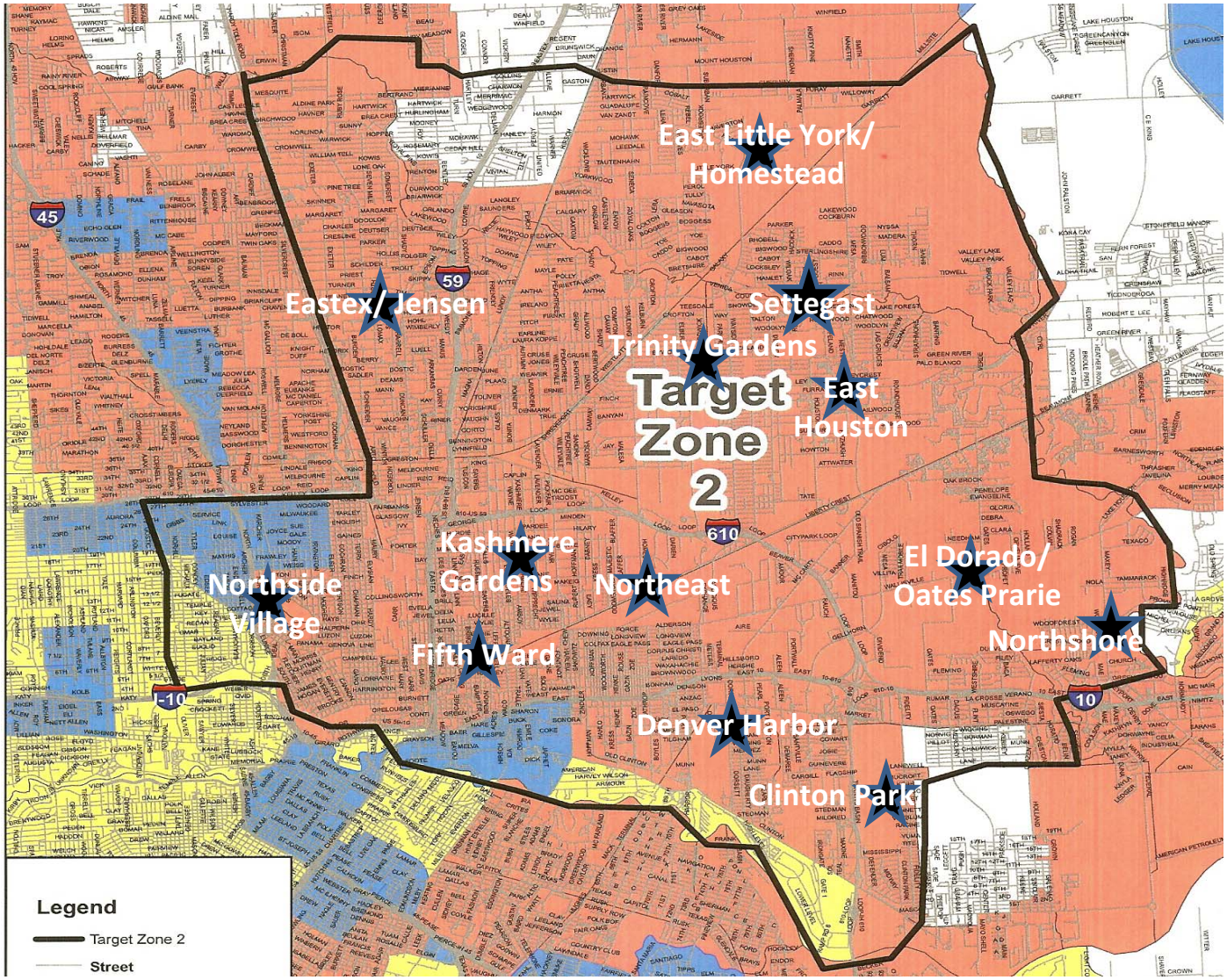
HCDD identified three target areas based on:

- Number of credit and tax foreclosures;
- Number of real estate owned properties by lenders; and
- Data provided by HUD regarding risk of foreclosure and relative levels of subprime lending

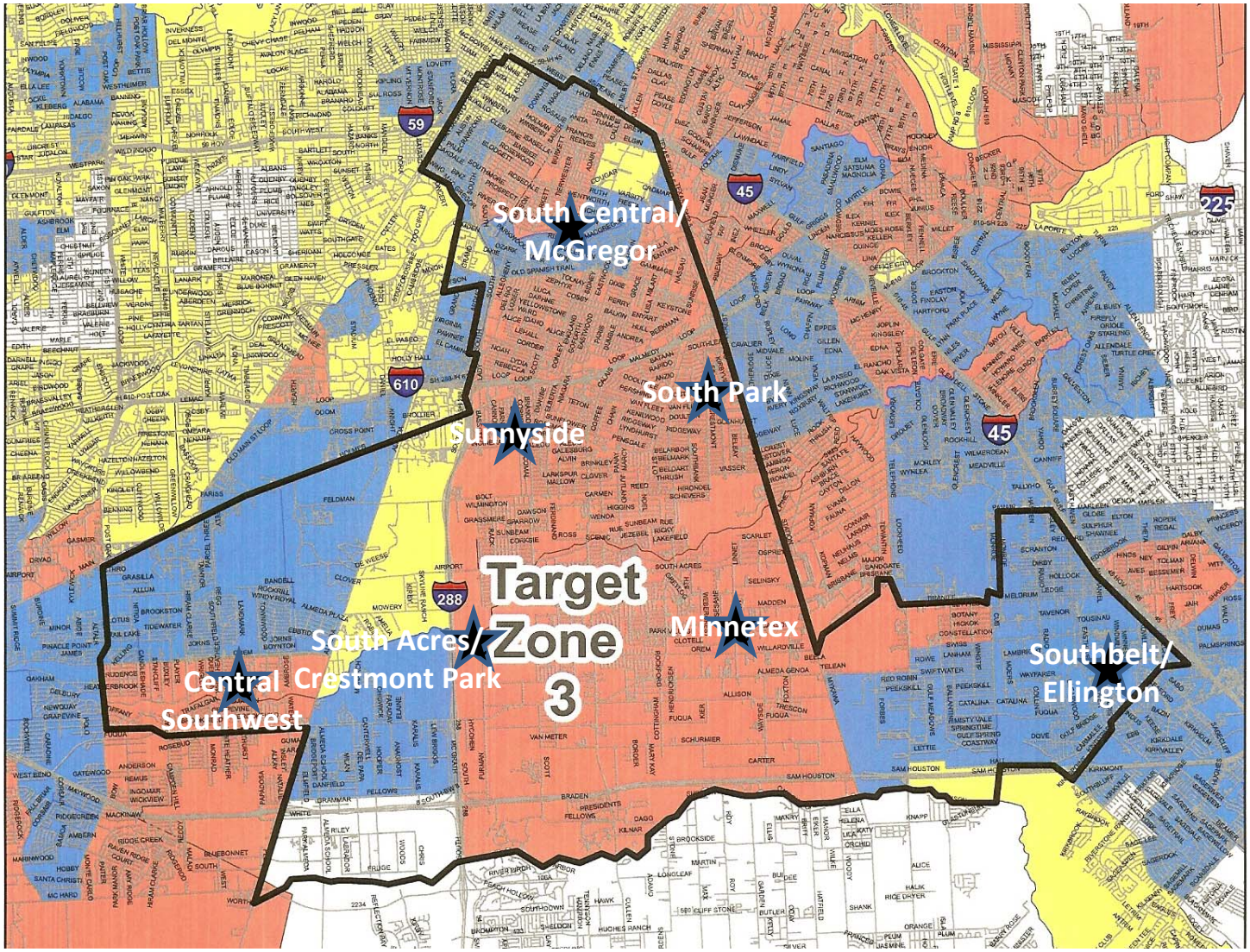
Target Zone 1



Target Zone 2



Target Zone 3



8 Hours Homebuyer Counseling

Each NSP-assisted homebuyer must receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

Affordability Period

The amount of time that a property assisted with NSP funds must remain affordable to income-qualified individuals. The affordability period is based on the dollar amount of benefit to households.

Total Benefit	Affordability Period
Less than $15,000	5 years
$15,000 - $40,000	10 years
More than $40,000	15 years

Activity Delivery Costs

Eligible NSP activity delivery costs:

- Eligible activity costs under CDBG
- Reasonable developer's fees
- Costs to maintain the property (but cannot be included in the sale price)
- Energy efficient appliances

Administrative Costs

There are no operating funds associated with this program. Therefore, your organization should have the experience and capacity to cover these costs.

Developer's Fee

Because of the substantial time and monetary constraints associated with NSP, we are setting the standard developer's fee at 15%.

The developer's fee will be based on work in place. We envision that the developer will receive 50% halfway though completion and the remaining 50% upon completion.

Program Income

- Revenue received by a subrecipient that is directly generated from the use of NSP funds constitutes NSP program income.
- The subrecipient must repay the loan after project completion, although in the event that the developer completes its projects successfully and rapidly, HCDD may allow for them to retain program income to engage in further NSP eligible low-moderate income housing programs. HCDD will determine the NSP Loan terms in the Subrecipient Agreement.
- After July 30, 2013, all program income must be returned to the Treasury.

NSP Program Steps

1. Subrecipient identifies site
2. Subrecipient asks HCDD for Environmental Clearance
3. Subrecipient develops scope of work and budget, which must be approved by HCDD
4. Subrecipient submits draw request for purchase of property
5. Subrecipient seeks bids for work through procurement process
6. Subrecipient submits draw requests as work is completed
7. Subrecipient identifies potential homebuyers
8. Homebuyers receive 8 hour counseling
9. Subrecipient sells home to homebuyer
10. Subrecipient returns program income to HCDD

Timeline / Benchmarks

Counting from start date of Subrecipient Agreement:

- Three months
  - Environmental assessments requested
- Six months:
  - Properties identified and earnest money contracts initiated pending site-specific environmental clearance
- Twelve months:
  - Homebuyer counseling requirement met
  - All loans closed
- Twenty-four months:
  - Properties resold and 100% repayment made to HCDD NSP

Application Requirements

Include in your application:

- NSP application checklist
- Application forms
- Narrative explanation of proposed project
- Letter of support from District City Council Member
- Project staffing plan
- Last 2 years audited financial statements and tax returns
- Marketing plan, including affirmative marketing components
- Evidence of IRS tax-exempt status and certificate of good standing from Secretary of State

Applications will be reviewed on a rolling basis and must be received by June 30:

City of Houston - HCDD
Attn: Bari Fishel
601 Sawyer, 4th
Houston, TX 77007

Details on HCDD website: http://www.houstontx.gov/housing/nsp.html

Selection Criteria

- Development Capacity
  - Minimum 3 years experience placing low-income families in permanent housing
  - Total number of successful single-family residential rehabilitation projects
  - Success in keeping households in housing sold to them (foreclosure rate)
- Management Capacity
  - Successful budgeting and delivery of prior projects
- Plan of Action
  - Timetable, intended zone(s), & budget details
  - Scale of action (HCDD does not anticipate funding fewer than 7 units per applicant)

Loan Amounts

- Applicants should make a specific loan request.
- HCDD projects that on average, it may cost approximately $85,000 to acquire and rehabilitate a single housing unit.
- If rehabilitating eight or more houses, Davis Bacon laws will apply. If you intend to work within the requirements of Davis Bacon, include evidence of your organization's experience and ability to do so in your application.