

Neighborhood Stabilization Program

Best Practices in Early Implementation and Course Correction



THE FEDERAL RESERVE BANK OF RICHMOND

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Overview

- Overview and introductions
- Best practices in early NSP implementation
 - Community Examples
 - Q&A
- Best practices in NSP course correction
 - Community Examples
 - Q&A
- Wrap-up





Hosts and Moderators

- Courtney Mailey, Regional Community Development Manager, Federal Reserve Bank of Richmond
- Sarah Greenberg, Community Stabilization Manager, NeighborWorks America
- Linda Thompson, Director of Housing and Homelessness Programs, Council of State Community Development Agencies
- Heidi Kaplan, Senior Community Affairs Analyst, Federal Reserve Board of Governors





Best Practices in Early Implementation

- Michelle Mapp, Assistant Director, Lowcountry Housing Trust, Charleston, SC
- Bob Schreier, Director of Community Development, Brooklyn Park, MN
- George Romagnoli, Community Development Manager, Pasco County, FL
- Eva Yakutis, Housing and Neighborhoods Manager, Riverside, CA





Best Practices in Early Implementation

- Tools and trends that facilitated quick obligation of NSP funds.
- Program options and trade-offs during stabilization activities
- Common features for fast spenders:
 - Already had a plan or program in place that NSP fit into well
 - Strong, pre-existing partnerships
 - Capable staff
 - Little competition in local real estate market
 - Activities: landbanking or downpayment assistance



NSP IMPLEMENTATION



Michelle A. Mapp, Assistant Director
www.lowcountryhousingtrust.org

Organization and Statistics

- Community Development Finance Institution (CDFI)
- Berkeley, Charleston, and Dorchester County,
- SC State Sub recipient
- \$7.4M NSP Award
- \$7.4M - 100% obligated
- \$5.7M - 77% expended
- 62 properties
- \$119,500/property



**LOWCOUNTRY
HOUSING TRUST**
making housing happen



Unique Features of NSP Implementation

- NSP Bridge Loans
 - Access to capital as a CDFI
 - Max loan amount of \$300,000 for 90 days at 3% interest
 - 1% origination fee
 - Based on Environmental Clearance from State and approved development budget
 - 5 loans totaling \$480,915
 - Bridge loans expedited process, built seller confidence in market place that was weary of NSP process



Tradeoffs for Faster Implementation

- 62 properties (majority rental)
 - 2 public facility, 10 homeownership, 50 rental units
 - 50 foreclosures, 6 blighted, 6 vacant units
- \$7.4 M Award (majority 50% AMI and below)
 - \$2.9 M for households at 120% AMI or below
 - \$5.5M for households at 50% AMI or below



**LOWCOUNTRY
HOUSING TRUST**
making housing happen



Unexpected Consequences

- Purchased “new” properties due to developer foreclosures
- Properties in higher income neighborhoods
- Properties widely disbursed over 3 county area
- Rental more attractive to partners than homeownership
- 10 Partners
 - 4 Non Profits, 3 For Profits, & 3 Government Entities





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LowCountry Housing Trust





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LowCountry Housing Trust



Foreclosure Recovery in Brooklyn Park, Minnesota



**Federal Reserve Bank of Richmond
June 17, 2010**

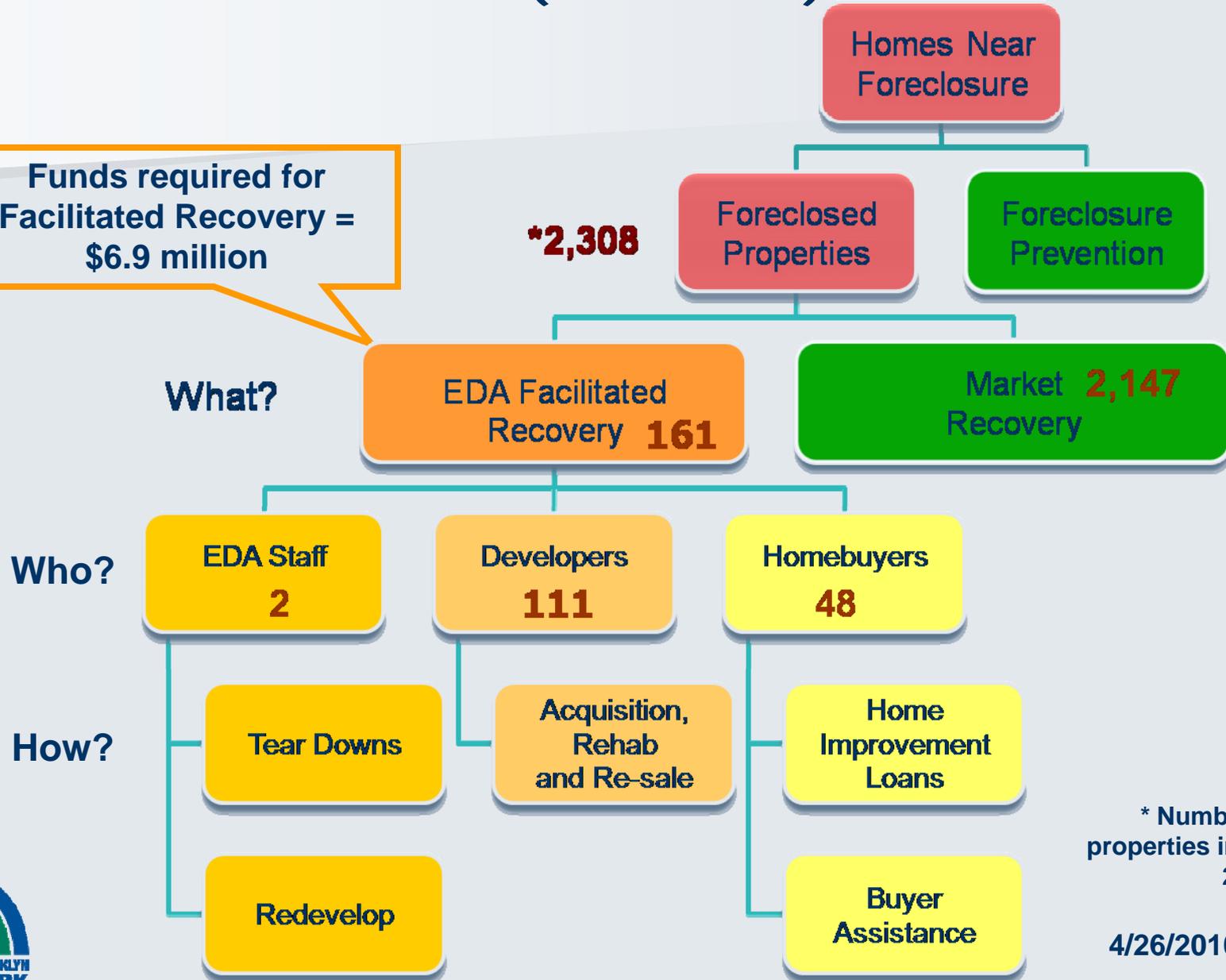
Robert J. Schreier, Director of Community Development

Brooklyn Park Response Plan

1. **Prevent** foreclosures
2. **Stabilize** and **preserve** the city's housing stock
3. **Foreclosure recovery** – Bring homes into stable homeownership

Brooklyn Park Foreclosure Recovery Plan (2009-2012)

Funds required for Facilitated Recovery = \$6.9 million



* Number of foreclosed properties in Brooklyn Park 2007, 2008, 2009

4/26/2010

17



Foreclosure Recovery Plan (2009-2012)

Funding Source	Program	Partners	\$ Amount Allocated	Est. # of Units
Mn Housing	Acquisition/Rehab	Engstrom Companies	\$ 1,025,000	30
NSP1	Rehab/Redevelop	Rains, PRG, WHAHLT, Habitat	\$ 2,830,000	49
NSP1	Homebuyer Assistance	Hennepin County	\$ 847,500	39
NSP2	Rehab/Redevelop	TBD through RFQ	\$ 2,034,760	34
NSP2	Homebuyer Assistance	Hennepin County	\$ 200,000	9
TOTALS			\$ 6,937,260	161



Homebuyer Assistance Program

- Hennepin County administers
- Funding: NSP1 and NSP2
- Buyers up to 120% AMI:
 - \$10,000 incentive funds
 - Up to \$25,000 rehabilitation funds (funds fully spent)
- Buyers up to 80% AMI:
 - Up to \$20,000 affordability funds
- Results to date:
 - 25 homes in homeownership
 - 8 homebuyers took \$25,000 in rehab funds
 - Cost = \$28,500 per unit
 - No rehab cost = \$16,800 per unit (17 units)
 - With rehab cost = \$46,900 per unit (8 units)



George Romagnoli Pasco County, Florida

Population: 486,000

2005	406,898
2000	344,765
1990	261,000
1980	193,661



NSP 1 Allocation: \$19.5 Million

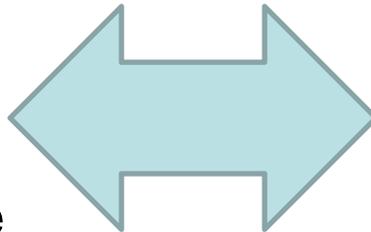
17th Largest in the USA

Pre-NSP: Pasco Opportunity Program

The Partnership

County

Surplus Properties
Construction Expertise
Procurement
Homeownership Assistance

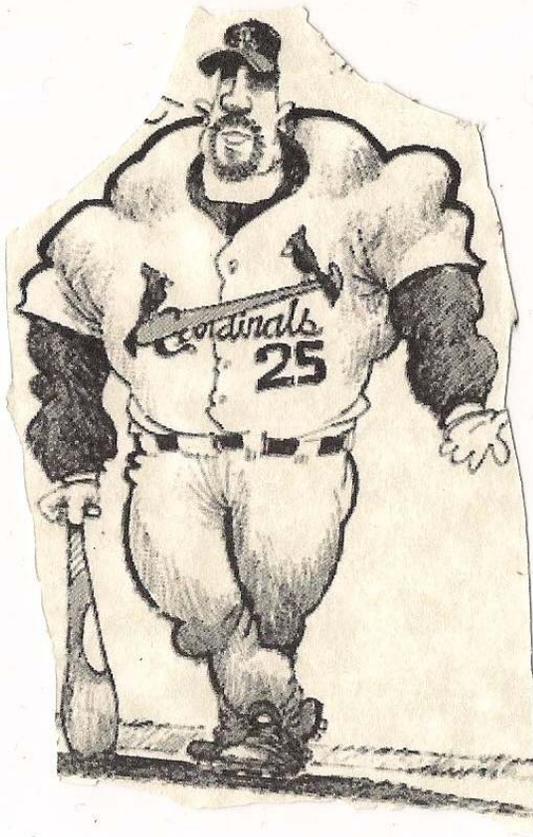


The Agencies

Purchase Properties
Donated Properties
Realtor Relationship
Property Management
Lender Relationship
Homebuyers

NSP IS PASSED

THE HOUSING PROGRAM
STERIOD ERA HAD BEGUN



STEPS NEEDED TO RAMP UP TO MEET THE NSP CHALLENGE

- POPs Team Up With Aggressive Realtors



- Get A Herd Of Appraisers
- Beef Up County Staff
- Cattle-Call Contractors

- Train the Realtors
- Train the Lenders



What Has Happened?

The Pros

- 270 Single Family Homes Purchased
- 48 New Homeowners
- Pumped Millions into Local Economy
- Improved Housing Stock

The Cons

- 3-5 Month Delay in Rehabbing Houses
- Cash Crunch for Rehab Money
- Not as Much Rental
- Angry Investors
- The Realtor – Appraiser War
- Very Picky Lenders

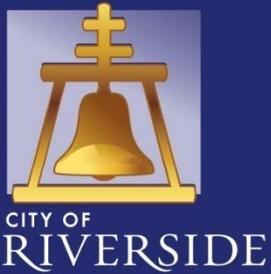


***Getting NSP Funds Moving
City of Riverside, CA Case Study***

Federal Reserve Bank of Richmond
Webinar

June 17, 2010

CITY OF
RIVERSIDE



Riverside's Program Stats

- \$6.5 million NSP plus \$22.5 million in leveraged local and credit funds
 - 84.4% committed (5/26/10)
 - 78.6% expended (5/26/10)
 - 25% very-low/low funds
 - 73% committed (5/26/10)
 - 61% expended (5/26/10)

- 53 properties purchased, 62 total dwelling units (5/26/10)
 - 39 single family (incl. 3 to be demolished/vacant lots)
 - 6 multi family
 - 3 listed for sale
 - 5 In Escrow/Sold to Eligible Households

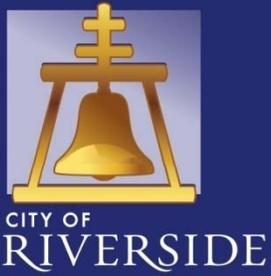
- A single responsible agency, the Housing Authority, with daily management by Authority/City Staff. Available houses supplied by the Trust. Work completed by pre-qualified panels of professionals.



Riverside's Program - Hurdles

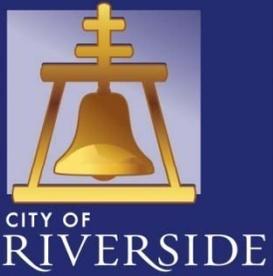
- Program Administration – Two Entities
 - ✓ City of Riverside (NSP) or Redevelopment Agency (TOO/LOC)
 - ✓ Disposition of individual City properties requires City Council approval
 - ✓ Disposition of individual Agency/Line of Credit properties requires a Public Hearing and adoption of a resolution approving the sale
 - ✓ Minimum 4 weeks lead time
- Process/Staffing
 - ✓ Starting from scratch, no forms, no processes
- Consultants/Contractors
 - ✓ 6 panels of professionals overseen by City Staff execute specific aspects of the program for City and Agency.

Appraisers	Home Inspectors/Scope Writer
Contractors	Property Managers
Asset Managers	Home Buyer Education Provider
 - ✓ 26 individual consultants- 52 contracts
- Inventory
 - ✓ Retail Market as primary source of properties, diminished inventory



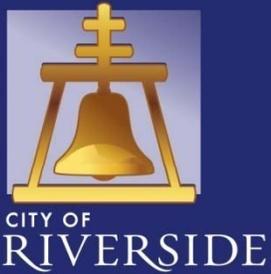
Riverside's Program- Solutions

- Program Administration
 - ✓ City and Agency delegate Programs to the Housing Authority
 - ✓ No public hearing required by Housing Authority
 - ✓ Single responsible entity with regular updates to City and Agency
- Process/Staffing
 - ✓ SOP drafted with processes and examples of forms developed to navigate the bureaucratic process.
 - ✓ Expanded the number of staff working on program from 3 to 9
 - ✓ Thinking “outside of the box” is a survival technique.
- Consultants/Contractors
 - ✓ 1 entity in charge (Housing Authority) ½ the number of contracts required
 - ✓ Capitol Projects Team in charge of construction management
 - ✓ Eliminated unnecessary consultants/contractors (e.g. Scope Writer)
- Inventory
 - ✓ Relationship with the National Community Stabilization Trust



Tips/Recommendations

- **National Community Stabilization Trust:**
 - ✓ Fast, efficient acquisitions, no competition from other cash buyers
- **Constantly looks for ways to streamline:**
 - ✓ Day to day activities overseen by City Staff
 - ✓ Home Inspections/Scope Writing and Construction Management brought in-house, completed by Capitol Projects Team
 - ✓ Property Managers knowledgeable about program requirements, only accept offers from qualified buyers



Acquisition Tips

Maintain a *FLEXABLE* approach:

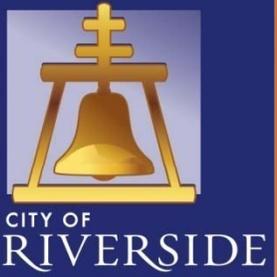
- ✓ Holistic: Buy! Buy! Buy! – even a single house on a block will help the neighborhood
 - numbers game, eventually, opportunities to acquire houses within a cluster will present itself.

THEN

- ✓ Strategic: Buy property in areas where other properties have already been acquired.

AND

- ✓ *NEVER accept NO as an answer – WAIT for NO ONE.*
- Staff oversight of contractors/consultants is critical to maintain accountability and forward moving progress.
- Neighborhood Stabilization and Strong Attention to Foreclosure Crisis at all levels is a necessary.



Before & After Pictures





What questions do you have for the early, rapid spenders?





BREAK





Best Practices in Course Correction

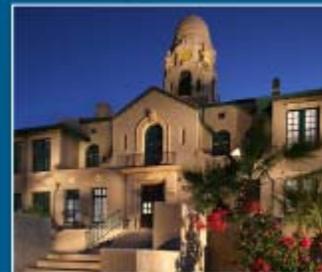
- The TA Providers Perspective
 - Amanda Sheldon Roberts, Housing Director, Public Policy, Enterprise Community Partners
- The NSP Recipients' Perspective
 - Martha Shickle, Community Development Program Manager, Northern Shenandoah Valley Regional Commission
 - Cheri Miles, NSP Policy Analyst, Virginia Department of Housing and Community Development



Turning a Corner: How the NSP program and grantees have sped up the obligation process

Amanda Sheldon Roberts
Housing Director, Public Policy

June 17, 2010



The Enterprise Mission

At Enterprise, we create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities.



Solutions-Based Response to the National Foreclosure Crisis

- Mobilizing critical resources to address the foreclosure crisis:
 - **National:** Creating policies and partnerships that support local efforts
 - **Local:** Developing and implementing community stabilization programs
- Mutually reinforcing
 - Local experiences inform our national efforts
 - National initiatives support local programs to achieve results on the ground
- Technical Assistance
 - \$7.1 million TA grant from NSP2 allocation



Changes (Improvements?) to NSP Since its Creation

- Five main mechanisms for change:
 - ARRA statutory changes (NSP2 NOFA)
 - NSP Bridge Notice (June 15, 2009)
 - Revised definitions of “abandoned” and “foreclosed” (April 2010)
 - FAQs and policy guidance on the HUD website
 - Other legislation:
 - Leahy Amendment – minimum allocation states can address “state-wide concerns.” (passed - S. 896)
 - Dodd Amendment – permit vacant properties to qualify for the 25% low-income set-aside (introduced – never passed)
 - Financial Reform Legislation - \$1 billion for NSP3 passed in the House, but not Senate, bill

Changes as outlined in ARRA

- **Expansion of the land bank eligible use**
 - “Establish land banks for homes and residential properties that have been foreclosed upon.”
- **Prohibition to refuse to lease to Section 8 voucher-holders**
 - Recipients may not refuse to lease a unit to a participant under Section 8 because of the status of the tenant.
- **Tenant protections**
 - Tenants with bona fide leases, signed before foreclosure, must be permitted to remain until the end of the term of the lease.
 - Tenants without leases must be granted a 90-day notice to vacate.

Changes as outlined in the Bridge Notice

- **CDBG program income rules**
 - ARRA repealed the program income section of HERA.
 - Regular CDBG rules governing program income will apply to NSP2.

- **Change in discount requirement**
 - A minimum purchase discount of 1% for each property.
 - No longer an average minimum discount.

- **Appraisals waived for properties valued at less than \$25,000**
 - If the anticipated value of the proposed acquisition is estimated at \$25,000 or less, the value may be established based on a review of available data.

New Definition of “Abandoned” and “Foreclosed”

- **Abandoned:** A home or residential property is abandoned if either a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or c) the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state, local or tribal law or otherwise meets a state definition of an abandoned home or residential property.
- **Foreclosed:** A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, contractor, subrecipient, developer, or end user.

How Grantees Have Sped up Obligation of Funds

- Hire more/better staff
- Change substantial amendment
 - Takes 3-6 weeks
 - Can continue activities while being processed
- Increase demolition budget
- Develop better systems and procedures to implement activities and work with developers
- Work with state Historic Preservation Office to streamline the historic review process
- Develop a better understanding of what constitutes obligation
 - April 2010 policy guidance

How Grantees Have Sped up Obligation of Funds, Con't

- Expand target area
 - May or may not require a change to substantial amendment
- Establish new/better partnerships
 - Sever ties with poor performing developers or subrecipients
 - Amend developer agreements
- Establish a realistic strategy for low-income set aside
 - Pick developers who can do rental
- Work with local PHA
 - Manage rental properties
- Recapture and reallocate funds
 - States can recapture from local jurisdictions
 - Grantees can recapture from poorly performing developers

If you still need help...

http://nsphelp.info

The screenshot shows a Windows Internet Explorer browser window displaying the Neighborhood Stabilization Program (NSP) Resource Exchange website. The browser's address bar shows the URL <http://hudnsphelp.info/index.cfm?do=viewTaRequest>. The website header includes the HUD logo and the text "Neighborhood Stabilization Program Resource Exchange". A navigation menu contains links for HOME, ABOUT NSP, FIND A RESOURCE, ASK A QUESTION, GET ASSISTANCE (highlighted), GRANTEES, EVENTS, and LEARNING CENTER. The main content area features the heading "Make a Technical Assistance Request" and a form for requesting technical assistance. The form includes fields for First Name, Last Name, Type of Organization, Title, and Work Address (Street Address 1 and 2). A note specifies that the form is for recurrent communication with TA providers, while basic policy questions should be directed to the "Ask a Question Form".

Make a Technical Assistance (TA) Request - Windows Internet Explorer

http://hudnsphelp.info/index.cfm?do=viewTaRequest

HUD/Provider Login

Search Tips Advanced Search

Search Site

HOME ABOUT NSP FIND A RESOURCE ASK A QUESTION **GET ASSISTANCE** GRANTEES EVENTS LEARNING CENTER

You are here: [NSP Home](#) > Make a Technical Assistance (TA) Request

Make a Technical Assistance Request

If you would like to request technical assistance regarding the Neighborhood Stabilization Program (NSP), please complete the form below.

Note: This form is intended for technical assistance requests involving recurrent communication with TA providers, site visits from a TA provider, or long-term assistance. For basic policy and technical questions regarding NSP, please fill out the [Ask a Question Form](#) instead.

* Required

Your Information

* First Name: (?)

* Last Name: (?)

* Type of Organization: (?) Please Select...

* Title: (?)

Your Work Address:

Street Address 1: (?)

Street Address 2: (?)

* City: (?)

Questions?

Thank You!

Amanda Sheldon Roberts

aroberts@enterprisecommunity.org

202-649-3918



www.enterprisecommunity.org
www.enterprisecommunity.com



GETTING NSP FUNDS MOVING

June 17, 2010

Martha Shickle, Northern Shenandoah Valley Regional
Commission

NSP in the Northern Shenandoah Valley



- Mix of small city, suburban and rural
- Economic Distress & NoVa/ DC Growth
- 3 partner nonprofit organizations working in Frederick, Shenandoah and Warren Counties

Major Obstacles



- Varied political support for NSP

- Identifying properties consistent with all criteria
 - ▣ Target Neighborhoods
 - ▣ Minimal Repair Requirements
 - ▣ Undesirable in the Market

- Coordination of Partners

Actions to Overcome Barriers



- Limited activity to interested jurisdictions
- Availability to work in Census Tract with 18+ needs score
- Reaffirmed leadership among partners

Accomplishments

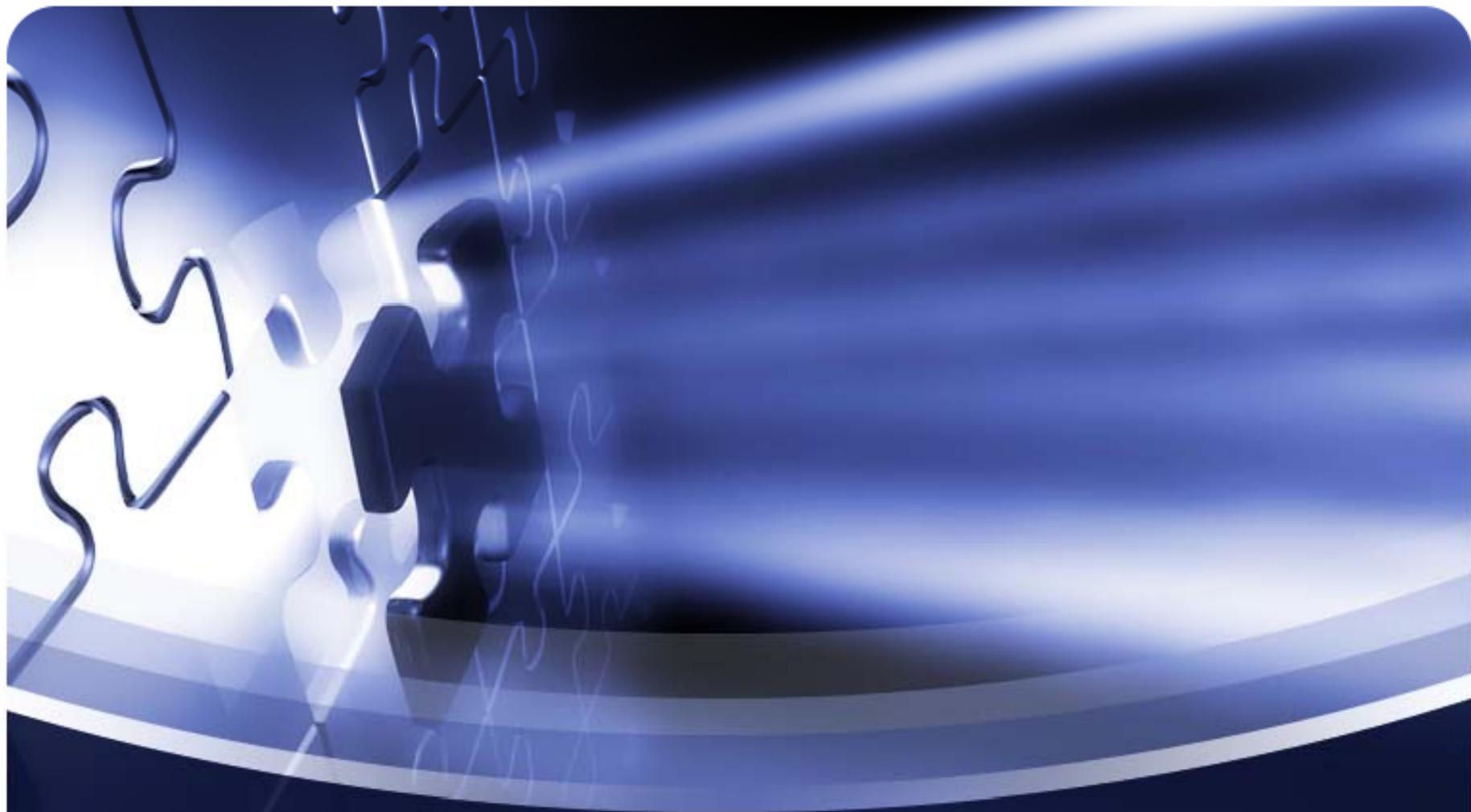


- Online with DHCD in October, 2009
- First acquisition- Bulk Purchase of 6 townhomes
- Today, 8 units acquired (9th under contract) and 3 are under contract for sale
- Additional 3 pending offers

Observations



- Partnership Opportunities
- Analysis of Region's Capacity
- Shift in Foreclosures
- Competition for Properties
- Limited Ability to Work on a Larger Scale



Virginia NSP1 Corrective Actions

Virginia Department of Housing and Community Development



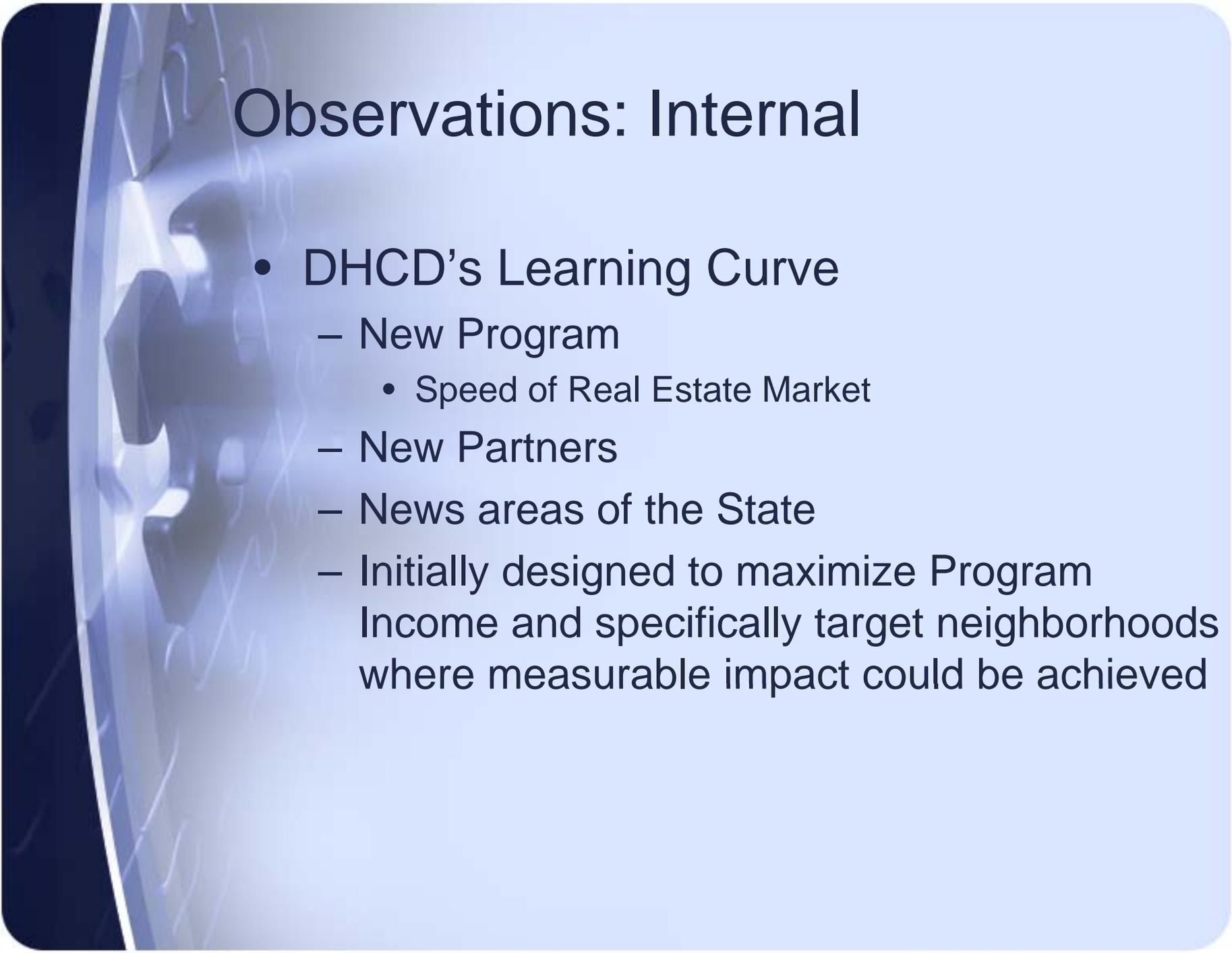
Observations

- Giant *learning curve* for Grantees
 - Speed of real estate market
 - Development of active management teams
 - Realtors/Lenders/Governmental Agencies/Non Profits/Housing Counselor/ Rehab Specialist
 - Partners in the government, non profit, and for profit world working together for the first time
 - Identifying NSP eligible housing
 - Marketing to LMMI borrowers
 - Governmental Agencies negotiating with REO Asset Managers/ Realtors



Observations

- Disconnect within the Community
 - Realtors
 - Lenders
 - REO Asset Managers
 - Media
 - Governmental Agencies
 - Rehab Specialists/Contractors
 - Housing Counselors
 - Attorney/Title Companies



Observations: Internal

- DHCD's Learning Curve
 - New Program
 - Speed of Real Estate Market
 - New Partners
 - News areas of the State
 - Initially designed to maximize Program Income and specifically target neighborhoods where measurable impact could be achieved

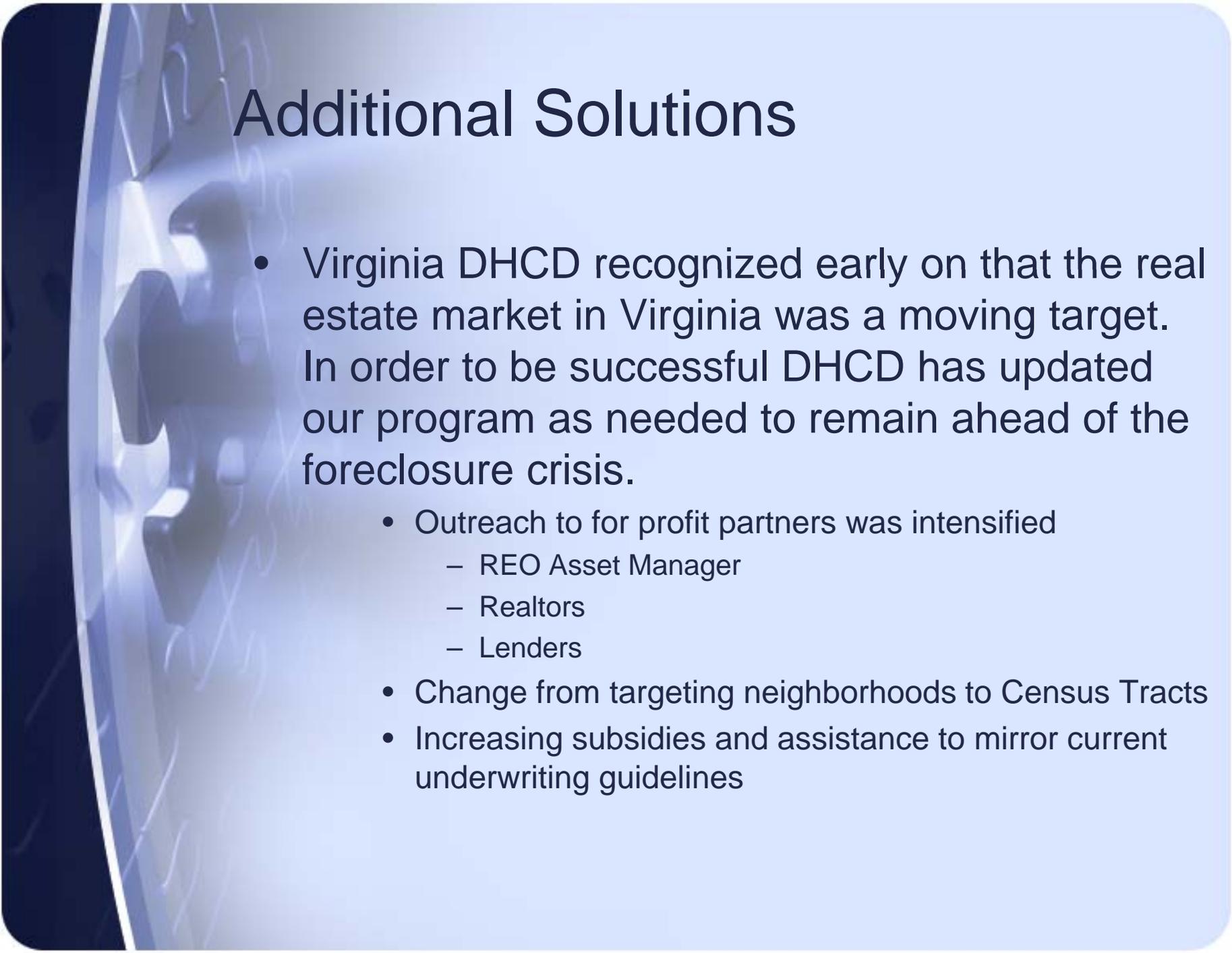


Solution: Boot Camp

Virginia NSP Boot Camp was designed to provide intensive hands on acquisition and rehab training.

Training/Outcome

- Realtor provided list of foreclosed properties
- Taught review techniques to Mgmt team
- Physically inspected 5-7 properties with team
- Created “ Do the numbers Work” by collecting:
 - BPO
 - Quick rehab numbers
 - Resale comps in neighborhood
 - LMMI borrowers interested in neighborhood/prequalified
- Chose 2+ properties
 - Created initial aggressive offer and *walk away* number
 - Wrote sales contracts with contingencies



Additional Solutions

- Virginia DHCD recognized early on that the real estate market in Virginia was a moving target. In order to be successful DHCD has updated our program as needed to remain ahead of the foreclosure crisis.
 - Outreach to for profit partners was intensified
 - REO Asset Manager
 - Realtors
 - Lenders
 - Change from targeting neighborhoods to Census Tracts
 - Increasing subsidies and assistance to mirror current underwriting guidelines



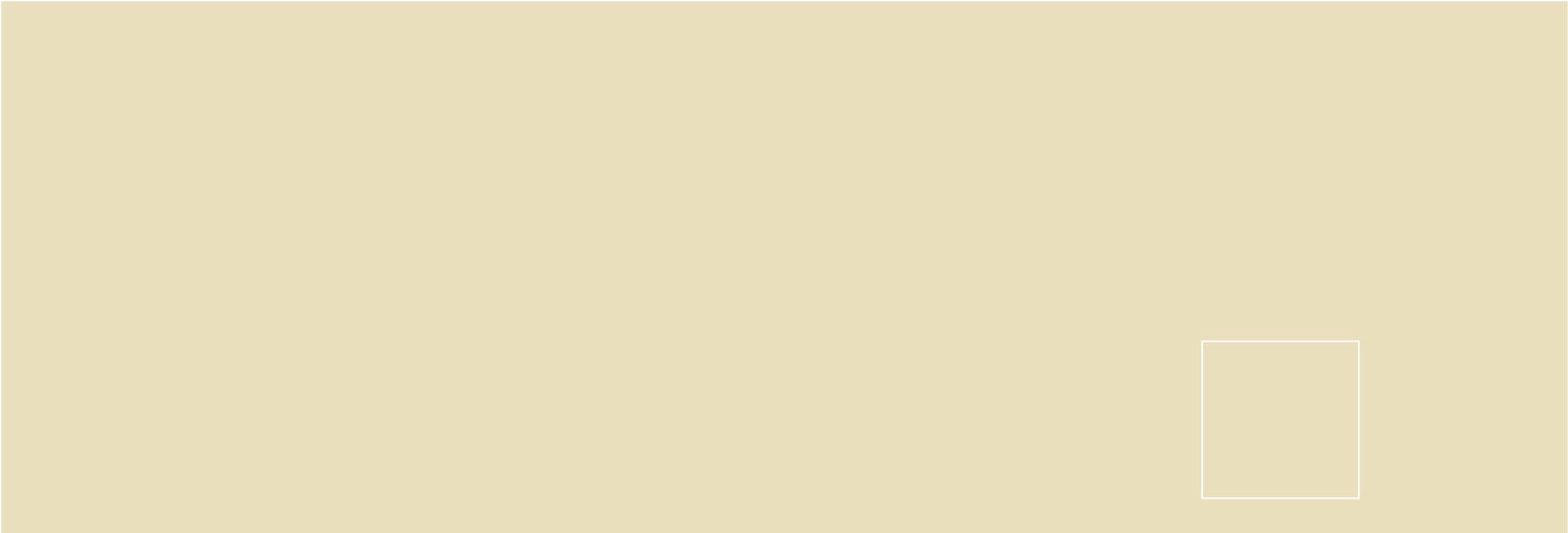
What questions do you have for the course correctors?





Wrap-Up

- Sources of technical assistance
- Ongoing research efforts



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