

Neighborhood Stabilization Program

Missoula Office of Planning and Grants

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Thanks to the
State of Montana Department of Commerce
Community Development Division
Community Development Block Grant Program

Where did it come from?

- July 27, 2008: To address the national housing crisis Congress passed the Housing Economic Recovery Act (HERA)
- July 30, 2008: HERA signed into law
- HERA included several sections to address the national housing crisis. Section 2301 provides assistance to states and local governments through Community Development Block Grants
- HUD has assigned the name of Neighborhood Stabilization Program (NSP)

What is it?

- NSP provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.
- The use of grant funds must constitute an eligible use under HERA
- October 6, 2008: HUD publishes the *Federal Register* notice which explains the eligible uses and the alternative requirements to expedite the use of funds
- Treated as CDBG Funds
- HERA alters several key CDBG provisions

How much money?

- HERA provides \$3.92 billion to assist States and localities in redevelopment efforts
- Senator Baucus amended the law to provide that each state will receive a minimum of \$19.6 million; Montana receives \$19.6 million
- Allocation to States and localities was based on need, based on number and percent of:
 - Home foreclosures in each State or unit of general local government
 - Homes financed by a subprime mortgage related loan in each State or Unit of General Local Government (UGLG)
 - Homes in default or delinquency in each State or UGLG

Who benefits?

LOW INCOME: 50% AMI (Area Median Income)

MODERATE INCOME: 80% AMI

MIDDLE INCOME: 120% AMI (Middle Income limits are only used for NSP)

Household size	1	2	3	4	5	6	7	8
Mineral FY 2008 MFI: 42000								
Low income	18100	20700	23250	25850	27900	30000	32050	34100
Moderate income	28950	33100	37200	41350	44650	47950	51250	54600
Middle income	43450	49650	55850	62050	67000	71950	76950	81900
Missoula FY 2008 MFI: 55400								
Low income	19400	22150	24950	27700	29900	32150	34350	36550
Moderate income	31000	35450	39850	44300	47850	51400	54950	58500
Middle income	46550	53200	59850	66500	71800	77100	82450	87750
Ravalli FY 2008 MFI: 50300								
Low income	18100	20700	23250	25850	27900	30000	32050	34100
Moderate income	28950	33100	37200	41350	44650	47950	51250	54600
Middle income	43450	49650	55850	62050	67000	71950	76950	81900

Uses of NSP funding

- A. Establish **financing mechanisms** for purchase & redevelopment of foreclosed upon homes & residential properties including such mechanisms as soft-seconds, loan loss reserves, and shared- equity loans for low- and moderate-income homebuyers.
- B. **Purchase and rehabilitate** homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop
- C. Establish **land banks** for homes that have been foreclosed upon (must be sold within 10 years)
- D. **Demolish blighted** structures
- E. **Redevelop demolished or vacant** properties

Uses of NSP funding

A. Establish **financing mechanisms** for purchase & redevelopment of foreclosed or abandoned homes & residential properties including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

- A “foreclosed” property must have completed the foreclosure process and now owned by the bank (REO).
- “Abandoned” property has proceedings begun, no payments made for 90 days and vacant for 90 days

Uses of NSP funding

B. **Purchase and rehabilitate** homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop

- Acquisition
- Rehabilitation and preservation activities for residential, including single or multi-family rental or single family ownership

Uses of NSP funding

C. Establish **land banks** for homes that have been foreclosed upon

- Acquisition
- Disposition (includes maintenance)
- Must be sold within 10 years
- Cannot be vacant land

Uses of NSP funding

D. Demolish blighted structures

- Clearance of blighted structures only
- Can demolish commercial, industrial or other types of structures for the purpose of creating housing
- Can be occupied structures (relocation must be provided)
- Is NOT rehabilitation or rehabilitation of blight
- Structure is NOT required to be foreclosed or abandoned

Uses of NSP funding

E. Redevelop demolished or vacant properties

- Acquisition
- Disposition
- Public facilities and improvements
- Relocation
- Housing counseling (limited to prospective purchasers or tenants of redeveloped properties)
- New housing construction (single or multifamily rental or homeownership, temporary housing)
- Direct homeownership assistance
- Can't develop or acquire "greenfield" sites

Eligible recipients

- The State of Montana
- Any Unit of General Local Government
- Any CDBG Entitlement Community
- Any Indian Tribe
- Any Non-profit Organization

..... within a Designated Area of Greatest Need!

Time frame

- All funds must be used within 18 months
 - 18 months began on March 19, 2009
- Use means obligation of funds
- Obligation means a signed contract with a contractor or a buy/sell agreement
- All funds must be expended on NSP activities within 4 years of receipt of funds
 - HUD will recapture and reallocate any funds not expended
- Land banks limited to 10 years

Time frame: RFP process

- Eligible uses (summarized)
 - A. Financing mechanisms
 - B. Rehab and resell
 - C. Land banks
 - D. Demolition of blight
 - E. Redevelopment of vacant properties
- Stage One (Uses A, B or C)
- Stage Two (Uses A, B or C)
- Stage Three (Uses A, B, C, D or E)

Time frame: RFP process

- Stage One (Uses A, B or C)
 - Begins March 19, 2009; application available April 14, 2009.
 - Proposals accepted for projects that address **foreclosed or abandoned** properties that will assist households who have income at or below 50% AMI
 - Proposals accepted until 18-month timeclock has expired
 - No due date for proposals except as restricted by the three-stage process
 - 25% of allocation (\$4.9 million) must be spent in Stage One on **permanent housing** (Uses A or B) before proceeding to fund next Stages

Time frame: RFP process

- Stage Two (Uses A, B or C)
 - Begins 30 days after Stage One starts.
 - Proposals accepted for projects that address **foreclosed or abandoned** properties that will assist households who have income at or below 120% AMI
 - Proposals accepted after Stage Three begins and until 18-month timeclock has expired
 - No due date for proposals except as restricted by the three-stage process

Time frame: RFP process

- Stage Three (Uses A, B, C, D or E)
 - Begins 60 days Stage Two starts.
 - Proposals accepted for projects that address **blight removal or redevelopment of vacant** properties that will assist households who have income at or below 120% AMI
 - Proposals accepted after Stage Two begins and until 18-month timeclock has expired
 - No due date for proposals except as restricted by the three-stage process

Distribution of funds

- Obligation-based contracts
 - No firm, fixed amounts
 - NSP funds committed when project activities are ready to be obligated
 - Successive and incremental approach
- Multiple contracts for NSP funds
 - Not like regular CDBG program
 - Collaborate
 - Work efficiently
- Applications from nonprofits must go through a unit of local government
- There is no limit on the number of applications, or the amount, per county

What's next?

- Time is of the essence; start talking about how your community can use NSP funds.
 - Is your community interested in accessing the NSP funds?
- What are the needs in your community that NSP can help address?
 - Greatest need?
 - Greatest need that can be accomplished in the short timeframe?
- No application form is currently available; watch the MDOC website for updates

Contact information

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Visit the Montana Dept. of Commerce website:
http://comdev.mt.gov/CDD_CDBG_NSP.asp

