

Neighborhood Stabilization Program (NSP)

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Community Development
Commission Presentation
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What is Neighborhood Stabilization Program?



- Established by the Housing and Economic Recovery Act of 2008
- Funds originate with HUD and are distributed by TDHCA
- Funds provide new resources to help stabilize neighborhoods and create opportunities for homeownership in Austin

(TDHCA yesterday just released a draft Notice of Funding. As of today that document is still under staff review.)

Funding



- **Direct Allocation:**
 - Travis: \$2,017,952
 - Williamson: \$1,066,554
- **Proportional Estimated Application Amount for COA:**
 - Approx. 64% of foreclosures in Travis County are within the City of Austin. Yields \$1,291,490
 - Approx. 9% of foreclosures in Williamson County are within the City of Austin. Yields \$95,990
- **Based on these amounts, and including the use of leveraging, it is estimated that the program can serve 10 -15 households depending on activity**

Eligible Activities



- **Clearance / Removal of Blight (defined by TDHCA)**
- **Financing Mechanisms including:**
 - Purchase abandoned or foreclosed homes with the intention to sell or rent the properties
 - Acquisition and conversion
 - Rehabilitation
 - Down payment and closing cost assistance households earning 120% MFI (\$82,900 for a family of four)
 - Mortgage Financing for households at 50% MFI (\$35,550 for a family of four)
- **Acquisition of Real Property (must be repaid)**
- **Rehabilitation**
- **Land Bank/Trust**

Leveraging



To maximize number of homes stabilized and households served:

- **Strive to leverage NSP dollars with other program funds (i.e. down payment assistance, HRLP, HOME, etc.)**
- **Consider the use of funds for mortgages for families at 50% of AMI or lower (either NSP funds, GO bond funds, etc.)**
- **Partner with community organizations in housing rehabilitation and home-buyer purchases**

Areas of Greatest Need



- ***Evaluation underway.*** One proposal is to layer and select areas with greatest concentration of the following factors (zip codes / tracts):
 - Number and/or percent of homes foreclosed (this should bear the greatest weight)
 - Number and/or percent of homes financed by subprime mortgages
 - Number and/or percent of homes in default / delinquency
 - Number and/or percent of abandoned homes

Otherwise weighted factors will be those identified by TDHCA

Critical State/Federal Requirements



- NSP funds must be used on foreclosed properties.
- Properties must be vacant at least 90 days before acquisition and have no payments made on mortgage/taxes for 90 days.
- TDHCA is utilizing HOME requirements to define affordable rents and affordability periods.
- Beneficiaries may earn up to 120% of area median income, but at least 35% of funds must be allocated to residents at 50% MFI.
- The program does not address families facing foreclosure.
- NSP assisted homebuyers must attend 8 hours of homebuyer counseling from HUD-approved entity

Critical State/Federal Requirements



- All properties must be purchased at a 15% discount; 85% of appraised fair market value at time of foreclosure
- Loan terms are defined by HUD and vary by type of assistance provided.
- End Result: homes must be purchased by a qualified buyer/renter

City of Austin Core Values



- All homes sold through the NSP program will have a shared equity and/or shared appreciation requirement as long as permitted by TDHCA
- COA may consider applying a Community Land Trust model to some or all of these homes (likely land owned by COA, with 99 year lease to homeowner)

Application Process to TDHCA



- Each organization/entity applies to TDHCA for its own allocation. (i.e. Travis County submits a separate application than COA)
- Application is due to TDHCA March 13.
- Application must identify:
 - Geographic neighborhoods and areas to be assisted
 - The NSP eligible activities proposed to be utilized
 - Strategies for maximizing the impact of funds

Timeliness



- Funds must be obligated by TDHCA within 18 months of their agreement with HUD
- NSP funds must be obligated before accessing additional funding through TDHCA
- Goal is to allocate funds quickly to increase our opportunity to receive more funds

Unknowns



- How administration funds will be made available. 10% of NSP funds can be used for administration – unclear how TDHCA will pass that on
- How program income will be handled by TDHCA – recycled to AHFC or back to TDHCA
- How TDHCA will require accounting / monitoring
- Mortgage vs. tax foreclosures
- Method for accessing more funds

Next Steps



- **CDC provide feedback on decision points - Tonight**
- **NHCD expects to submit application in coordination with Travis and Williamson Counties by March 13**
- **Program Design to be presented to the Community Development Commission - After TDHCA application submission**

Program Design



- **Program Design will include:**
 - Process to be used for acquiring properties
 - Method for determining rehabilitation needs of properties
 - Method for determination of sales price
 - Method and criteria for re-selling of properties
 - Means of achieving the requirement that 35% of all homes are provided to families at 50% MFI or below – how structure provision of rental units (AHFC does not want to be in a position of being a landlord)

CDC Decision Points Tonight



- **Should the funds be used for blight/redevelopment?**
- **Should NSP funds be used only for homes or should multifamily properties be eligible?**
- **Should units to serve families at 50% AMI made available as rental units be multifamily or single family homes?**
- **Should the funds be used for mortgages for families at 50% of AMI or lower?**