



U.S. Department of Housing and Urban Development

Omaha Field Office  
Edward Zorinsky Federal Building  
1616 Capitol Avenue, Suite 329  
Omaha, Nebraska 68102-4908

December 22, 2008

Mr. Richard Baier  
Nebraska Department of  
Economic Development  
301 Centennial Mall South  
Lincoln, NE 68509-4666

Dear Mr. Baier:

Please be informed that HUD cannot approve your Neighborhood Stabilization Program (NSP) amendment at this time, because it does not meet the NSP requirements specified below.

General Submission Requirements

Areas of Greatest Need

Distribution and Uses of Funds

Definitions and Descriptions

Low Income Targeting

Acquisitions and Relocation

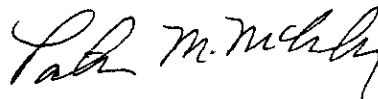
Information by Activity

HUD's Office of Community Planning and Development will continue to work with your jurisdiction to insure that its NSP amendment meets the requirements of the NSP as set forth in the Department's October 6, 2008 Notice in the Federal Register. Please see the attached listing of items that need to be addressed.

While you will have up to 45 days from the date of this letter to provide additional information, HUD urges you to respond as quickly as possible in order to expedite processing of your jurisdiction's NSP grant. Please keep in mind that the Notice requires all NSP resubmissions be received by HUD not later than February 13, 2009. We look forward to

working with you and your staff on this matter. If you have any questions, please contact Ms. Teri Robertson, Community Planning and Development Representative at 402/492-3149.

Sincerely,



Patricia M. McCauley  
Director  
Community Planning and  
Development Division

✓ cc: Ms. Lara Huskey

# Nebraska NSP Amendment Review

## General Submission Requirements

The State is eligible to use up to ten percent (\$1.96M) for administrative costs, but page 12 seems to indicate that only \$784,000 is being requested. Pre-applications imply that the subrecipients will receive administration funds, but it is not indicated anywhere that the State is sharing any of its ten percent allowed for administration. Since the amount of any shared administrative costs is not indicated, the total amount requested for administration cannot be calculated. Therefore, we cannot determine if the cap is exceeded. It should also be noted that NSP project delivery costs are different from administrative costs and that subrecipients may need further information regarding the difference. Please clarify whether the State will be sharing its administrative funds and, if it is, provide the total amount of administrative funds requested and the amount designated for the State and for the subrecipients.

The State included the public comments in the amendment, but no responses. Please provide a summary of the responses to the public comments.

## Areas of Greatest Need

The NSP amendment contains very little information on specific locations to identify the areas of greatest need. Furthermore, the limited data does not support the areas of greatest need identified (ranked levels). The areas of need are also not consistent within the different parts of the amendment (i.e. are Omaha and Douglas County, and also Lincoln and Lancaster County, considered together or separately). Also of concern is Hall County, which the limited data indicates has a very high need, but is ranked in the next to lowest need level. The State's use of pre-applications as a source of data to determine areas of greatest need also seems flawed, since it only indicates that someone was able to prepare an application instead of substantiating level of need. Please provide additional data and/or revise the areas of greatest need, so that the data supports the determinations.

## Distribution and Uses of Funds

The entire state was split into six need levels (1 being the greatest need). The proposed distribution of NSP funds (page 12) does not correlate with the areas of greatest need, since the State has proposed providing funding to all six areas. Of particular concern is that the two areas of lowest need (levels 5 and 6) are each proposed to receive more funding than the highest area of need (level 1). Funds also do not seem to be targeted based on areas with the greatest percentage of home foreclosures, subprime loans, or likeliness to face a significant increase in the rate of home foreclosures. In addition, a disproportionate amount of funds appear to be proposed for demolition activities in the lowest need areas. Furthermore, the State's project selection process is also questioned, since meeting the goals of NSP to stabilize neighborhoods is not required under nine of the eleven scoring criteria for pre-applications and seven of the ten scoring criteria for full applications. Please provide additional information and/or revise the proposed distribution of funds, so that there is no inconsistency between the identified areas of greatest needs and proposed use of funds.

### Definitions and Descriptions

Nebraska state law does not contain a definition for blighted structure, so a definition was developed for NSP (pages 16-17). However, this definition is not consistent with information on the State's NSP website (under Project Eligibility) or the pre-application form (Section F). Also, a survey tool noted on the website and on the pre-application could not be found to determine if it was consistent. In addition, the very last portion of the definition states "and which has been designated by a State CDBG-recipient unit of local government or non-profit organization as detrimental to the public health or safety in its present condition and use." Of concern is the authority of a non-profit to make this determination, as well as the experience/capacity of the non-profit or a very small local government to make the determination, especially considering the large amount of NSP funding that may be involved. Please provide further clarification on this definition and how it will be implemented.

The State has used the HOME Program affordable rents definition, with some updates, for NSP. However, the updates were not fully completed, so some of the information is confusing. It is also not clear if "DED NSP grantee" is the State (the NSP grantee) or if it is a subrecipient of NSP funds from the State. Please provide further clarification for this definition.

The HOME Program affordability period definition has similarly been adopted for the NSP continued affordability definition. This definition is updated better, but there are still some problems. Noted particularly were incorrect income references, the inclusion of activities that are ineligible under NSP (i.e. owner-occupied rehab without acquisition), and incorrect wording on the chart on page 24. Furthermore, it was noted in a few of the pre-applications that an entitlement city's Consolidated Plan was cited. Since NSP is State funding, there should be consistency on all projects or the State should include a provision that spells out any exception. Please provide further clarification on this definition.

### Acquisitions and Relocation

Although the State has provided some breakdown of units on page 40, it is not clear how these numbers were derived (i.e. not consistent with the information for proposed projects in Section G). Please provide further explanation.

### Information by Activity

It is acknowledged that the projects included in the NSP amendment were pre-applications, which may or may not be funded. Therefore, no specific comments are being provided on the appropriateness or eligibility of individual projects.