

**Community Development Block Grant (CDBG)
Neighborhood Stabilization Program (NSP1)
Workshop - April 2, 2009**

Workshop Agenda

- Welcome & Introductions
- Application Changes Since March 18th
- Key NSP Definitions
- NSP Due Diligence
- NSP Acquisition Team
- NSP Question & Answers
- Where Do We From Here?

Eligible Activities

- Eligible Activities
 - A.** Establish financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties
 - B.** Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed
 - D.** Demolish blighted structures
 - E.** Redevelop demolished or vacant properties

Ineligible Activities & Costs

- Ineligible Activities & Costs
 - Any activity ineligible under the CDBG program (except for new construction of housing)
 - Foreclosure prevention
 - Demolition of non-blighted structures
 - Costs associated with acquisition, new building construction or rehabilitation of private businesses, working capital, acquisition or rental of machinery or equipment, job training associated expenses, and operating costs for public facilities and job creation.
 - Any activity in ineligible counties

Eligible Costs

- Eligible Costs

- Acquisition
- Disposition
- Direct homebuyer assistance
- Clearance for blighted structures only
- Housing management/project soft costs (project delivery)
- Public facilities and improvements
- Public service and housing counseling
- Redevelopment
- Rehabilitation and preservation
- Relocation

- Details in the “States Guide to the National Objectives”

National Objective

- Meeting the National Objective
 - Income Limits
 - CDBG NSP1 funds must be used to benefit individuals at or below 120% of the area media income (AMI)
 - City of Lincoln & Omaha Set-Aside CDBG NSP1 Funds must be used to benefit individuals at or below 50% of the area median income (AMI)
 - National Objective
 - Household benefit*
 - Area benefit – demolition only projects and public facility projects
 - Job Creation
 - Limited Clientele – public facility projects

**Only national objective applicable for the City of Lincoln and Omaha CDBG NSP1 Set-Aside*

Verified Thresholds

- Meeting Verified Thresholds by application due date
 - Application and corresponding parts are complete
 - Applicant is eligible
 - Activities are eligible & comply with CDBG NSP1 national objectives
 - Identify an approved CDBG Certified Administrator or a staff member from the City of Lincoln Urban Development or Omaha Planning Department
 - All required relocation notices were given to appropriate occupants prior to CDBG NSP application being submitted to DED.

Part II. Funding Summary

- **Include:**
 - CDBG NSP1 Funds
 - Other Funds
 - Total Funds
 - Sources of Other Funds

<i>Activity</i>	<i>NSP Funds</i>	<i>Other Funds</i>	<i>Total Funds</i>	<i>Sources of Other Funds</i>
Affordable Housing				
Community Facilities				
Demolition Only				
Job Creation				
Project Delivery Costs (Housing Management)				
Total Program Cost				
General Administration – 4.0% of Total Program Costs - NSP				
TOTAL				

- **General Administration = Environmental Review, general labor standards enforcement, record keeping, progress reports, general office expenses, contractual services for administration and audits**

Part IV. Implementation Schedule (I)

SECTION 1 (ALL PROGRAMS)			
<i>ACTIVITY</i>	<i>RESPONSIBLE ENTITY</i>	<i>DUE DATE</i>	<i>COMPLETED DATE</i>
INVITATION TO CONTRACT NEGOTIATIONS	NDED	JUNE 22, 2009	
SUBMIT CONTRACT NEGOTIATION ITEMS	GRANTEE/ADMINISTRATOR	JULY 24, 2009	
NOTICE OF AWARD	NDED	SEPT. 1, 2009	
RECEIVE AND EXECUTE CONTRACT	GRANTEE/ADMINISTRATOR		
SUBMIT SPECIAL CONDITIONS FOR ROF	GRANTEE/ADMINISTRATOR		
RELEASE OF FUNDS (ROF) ISSUED	NDED		
PROGRAM MARKETING	GRANTEE/ADMINISTRATOR		
SECTION 2 (PUBLIC FACILITY & JOB CREATION ACTIVITIES)			
Acquisition Occurs	Grantee/Administrator		
Relocation Occurs	Grantee/Administrator		
Demolition Begins	Contractor		
Demolition Completed	Contractor		
Public Improvements Begin	Contractor		
Public Improvements Completed	Contractor		
Public Facility Rehabilitation/Construction Begin (Public Facility Projects Only)	Contractor		
Public Facility Rehabilitation/Construction Completed (Public Facility Projects Only)	Contractor		
Facility Available for Public Use (Public Facility Projects Only)	Contractor/Grantee		
(Insert #) Jobs Created (Job Creation Projects Only)	Grantee		
SECTION 3 (HOUSING ACTIVITIES)			
<i>ACTIVITY</i>	<i>RESPONSIBLE ENTITY</i>	<i># PROPOSED</i>	<i># COMPLETED</i>
Applicants Submit Applications	Applicants		
Applications Processed	Grantee/Administrator		
Applicants Receive Notification of Eligibility	Grantee/Administrator		
Inspections Completed on Units	Grantee/Administrator		
Applicants Receive Approval for Assistance	Board/Council		

Key NSP Definitions

- **Abandoned** = A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for the property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.
- **Foreclosed** – A property “has been foreclosed upon” at the point that under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property had been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Key NSP Definitions

- **Blighted** = Objectively determinable deterioration that is threat to human health, public safety, and/or public welfare.
- **Homes** = Any permanent residential dwelling unit:
 - Single family, multi-family, townhouse, condominium, manufactured home when state law deems it real estate.
- **Residential Properties** = All of the above plus vacant land designated as residential use.
- **Appraisal** = “Third Party” Appraiser accepted by both Seller and Buyer.
 - “Broker’s Price Opinion” may be accepted in the case of a bulk purchase negotiation at HUD’s discretion.

Key NSP Definitions

- **Discount Price** = The discount price is at least 15% of “as is” appraised fair market value of the property to be acquired for NSP.
 - *Example:* A property appraises for \$100,000. NSP requires a minimum 15% reduction in market value which translates to a purchase price of \$85,000. The Discount price is \$15,000.

NSP Due Diligence

Required for Every Property Acquisition!

1. Environmental & Historical Review
2. URA Notice of Voluntary Acquisition

When CDBG NSP Funds Are Used For Acquisition Costs

3. Third Party Appraisals
4. Purchase Price at 15% Discount of As-Is Appraised Value

NSP Due Diligence: Environmental & URA

- **Environmental & Historic Review**
 - 24 CFR 58.34-37
 - Section 106 – Historic Review
 - Lead and Asbestos
 - Historic Districts and Property Acquisition
- **URA Notice of Voluntary Acquisition**
 - Fair Market Value & 15% Discount Requirement
 - No Eminent Domain with/without Power to do so

<http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm>

NSP Acquisition Team

- Form Your Team of NSP Program Partners
 - Appraisers
 - Title Companies
 - Lead Based Paint & Environmental Risk Assessors
 - Realtors
 - Developers / Rehabbers / General Contractors
 - Housing Counselors

CDBG NSP1

Question & Answers

Application Information

- **Question #1: If a non-profit organization is submitting three (3) separate CDBG NSP1 applications, can we hold 1 public meeting for all three (3) applications?**
 - Answer: Yes, if you are submitting three (3) separate CDBG NSP1 applications post and/or publish a notice for each application identifying the date, time and location of the upcoming meeting. During the public meeting make sure you present and receive comment(s) on each application and make sure your minutes adequately reflect each of the applications.

Application Information

- **Question #2: Several smaller communities do not have an actual land use map. Would an aerial map showing the location of residential, business and agricultural areas in a community work as a replacement for the land use map?**
 - Answer: If a community does not have a current land use map they may substitute this required document with an aerial map showing the location of residential, business and agricultural areas in the community.

Application Information

- **Question #3: If our local unit of government or non-profit organization did not submit a pre-application are we still eligible to apply for CDBG NSP1 funding?**
 - Answer: As long as you are an eligible applicant, with an eligible project you may still apply for CDBG NSP1 funding, you did not have to necessarily submit a pre-application.

Application Information

- **Question #4: Does the CDBG NSP1 application require Program Guidelines similar to what we prepare for NDEDs Affordable Housing Applications?**
 - Answer: Yes, Program Guideline requirements will be provided by the applicant prior to award announcement. The Program Guideline requirement will be similar to the Nebraska Affordable Housing Program requirements in format, but will vary due to CBDB NSP1 requirements.

Application Information

- **Question #5: Why is Section 5 of the CDBG NSP application not required for the set-asides? How will NDED be making decisions on where set-aside funds get allocated?**
 - Answer: The City of Lincoln and Omaha departments will be making these decisions.

Application Information

- **Question #6: I am working with a non-profit organization and they do not have procurement procedures, how do we satisfy this threshold requirement when applying for CDBG NSP funds?**
 - Answer: If a non-profit does not have procurement procedures currently in place, they must do so prior to receiving release of funds of their CDBG NSP1 award. Using the guidance in the NAHTF section of the DED website is a good starting point for developing new procurement procedures for a non-profit organization, please realize though that you do not want to take the information verbatim from a template, it needs to fit the organization you are working with. If the non-profit organization has not adopted procurement procedures prior to applying for CDBG NSP1 funds please state that in the Applicant's Statement of Assurances and Certifications and identify the projected date they will be adopted by the organization. Prior to release of funds DED will check to make sure the organization does have procurement procedures in place.

Acquisition

- **Question #7: Can we acquire foreclosed houses now or does acquisition need to happen after the grant has been awarded?**
 - Answer: No, do not begin acquiring foreclosed homes now, acquisition needs to occur after the grant has been awarded to the local unit of government or non-profit organization. If a home is acquired prior to the grant award it will not qualify as a foreclosed home.

Acquisition

- **Question #8: Is there a list of homes in Nebraska that have been foreclosed on or in the process of being foreclosed on? Who will typically own a property that is considered foreclosed?**
 - Answer: No, there is no specific list documenting homes in Nebraska that have or are in the process of being foreclosed. A good indication of a house that has been foreclosed upon is one where the lender holds title to the property and is up for sale through a lending agency. Other sources to find foreclosed property include realtor listings, the Multiple Listing Service, the local newspaper, the Internet, foreclosure attorneys, and the clerk at the Sheriff Sale Office.

Definitions

- **Question #9: What is the appropriate definition of an abandoned home or blighted structure for the CDBG NSP1?**
 - Answer: NSP Notice Definition – Abandoned Home: A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for the property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.
 - NSP Notice Definition – Blighted Structure: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare.

Eligible Use Scenario

- **Question #10: If the end use of a property is not housing for low- and moderate-income persons, is it permissible to use NSP money to demolish a blighted structure if the property was, or will be, acquired by a NSP grantee with non-federal funds under the threat of eminent domain? Does the threat of eminent domain action to assist acquisition of a property, for a known subsequent non-low/mod residential use, preclude the use of NSP money for demolition? If the threat of eminent domain is not used, does a property owner have to be informed in writing prior to acquisition that eminent domain will not be used if the owner is unwilling to sell?**
 - Answer: NDED will prohibit eminent domain (or threat thereof) in the NSP project. If the NSP project scope beyond NSP does included eminent domain, before funding or after the NSP project is completed, we are not placing additional oversight or requirements on the NSP.

Eligible Use Scenario

- **Question #11: Can NSP funds be used to purchase an abandoned vacant lot, but NOT be used to build a house on an abandoned vacant lot?**
 - Answer: You can not use NSP funds to purchase a vacant lot or build on a vacant lot that never had housing on them (or other structures – formerly agriculture land, for example) and therefore can not be redeveloped.
- **Question #12: If a non-profit organization had foreclosed lots donated to them, could NSP funds be used to build on the lots that were then donated?**
 - Answer: Yes, you can use NSP funds to build on foreclosed lots donated to a non-profit organization.

Eligible Use Scenario

- **Question #13: Under the City of Lincoln and Omaha Set-Aside can we purchase a foreclosed house demolish it and rebuild with CDBG NSP1 funds?**
 - Answer: The City of Lincoln and Omaha Set-Aside can be used for the rehabilitation under Activity B, but not for rehabilitation, unless the home purchased was a blighted structure, demolished and therefore the home also qualifies for Activity E, which allows for new construction.
- **Question #14: With the city of Lincoln and Omaha set-aside, could we use NSP funds to build on donated foreclosed vacant lots that previously had a house on them?**
 - Answer: Yes, it is not important that there was previously a house there, the important component is that it is a foreclosed lot.

Eligible Use Scenario

- **Question #15: With the City of Lincoln and Omaha set-aside, could we use NSP funds to build on a vacant/abandoned lot that previously (years ago) had a house on it? This is what we consider in-fill builds.**
 - Answer: Yes, if the lot is (1) abandoned or foreclosed and (2) vacant and demolished then it can be redeveloped under the City of Lincoln and Omaha set-aside.

Eligible Use Scenario

- **Question #16: An 8-plex was built recently and the developer was unsuccessful in getting buyers for it. They would now like to sell it to us for Public Housing. By being Public Housing, we could make the income levels meet the eligibility, however, the property is not a blighted structure, it is not yet in foreclosure, and we will not be demo-ing it or redeveloping it.**
 - Answer: If the regulations are revised as we expect them to be and the property is vacant it would be eligible for NSP rehabilitation, but not acquisition unless that is also changed in the regulations.

Eligible Use Scenario

- **Question #17: Our city owns a large building in the downtown area (in a redevelopment area) which needs to be demolished. Is this an eligible activity?**
 - Answer: Yes, if the building meets the definition of a blighted structure. It is not relevant as to whether it is in a redevelopment area or downtown area.

Eligible Use Scenario

- **Question #18: If our city receives NSP money for demolition of residential properties, can we also use NSP funds for GAP financing on replacement houses?**
 - Answer: Yes, if the project is being completed under Eligible Use E. – redevelopment in addition to Eligible Use D. – demolition, NSP can be used for redevelopment costs including the construction of new homes where not all funds are recouped with the sale of the home (either direct subsidy because the home is sold for less than the value to make it affordable for the homebuyer, or development subsidy because the appraised value of the home is less than the cost to build it).

Eligible Use Scenario

- **Question #19: Could someone use a communities Down Payment Assistance (DPA) program on a house that has been rebuilt after demolition?**
 - Answer: Yes, just as long as the home and the process for using the DPA met your program guidelines.

Eligible Use Scenario

- **Question #20: Would using CDBG NSP1 funds for the demolition and redevelopment of a house and funds from a local DPA program for assistance on the down payment of the house be considered double dipping?**
 - Answer: No, because you are not paying for the same cost twice. If you use two programs in the same project, it will be subject to the most restrictive requirements for each element (value of the home, income of the buyer, etc.) – this may be a reason for you may not want to mix funding source in the same house.

Financing Mechanisms

- **Question #21: Does the Department of Economic Development or HUD have a goal for what percent of assistance should be leveraged for each home assisted with CDBG NSP1 funds?**
 - Answer: No, there is no leveraging or match requirement and it will not be part of the scoring criteria. However, if other funds are necessary to make the NSP project successful, the applicant should have documentation at the time of application of the leveraged funds. If documentation is not provided at the time of application it will negatively effect the scoring of the project because there will be less certainty as to the timeliness and feasibility of the project.

Financing Mechanisms

- **Question #22:** The rules indicate that a home may not be sold for more than it cost to purchase and rehab. Will realtor fees be an eligible cost to add to the hard cost of buying and rehabbing? It is very difficult to move property without their help.
 - Answer: Realtor fees are part of the cost to purchase and rehab the home.

Program Administration

- **Question #23: For a project that purchases, rehabs and resells abandoned and foreclosed properties, may the grantee pull a full 10% for administration as they sell homes and reuse the program income?**
 - Answer: Reasonable developer fees are allowed, NDED has not capped or determined what that amount should be. General administration is limited to 4% of the entire award.

Program Administration

- **Question #24: I am still concerned about the lack of funds for administration, considering the time frames, complexity etc.**
 - Answer: There is no maximum on housing management /soft costs, these fees just need to be justified in the grant application. Only general administration is capped, which is limited only to costs for things that can not be attributed to project delivery costs (think of it like HOME and what you can include in housing management is not general administration).

Program Administration

- **Question #25: Who determines whether a structure is blighted under the DED definition?**
 - Answer: The determination of a blighted structure will be made by the grant administrator which must be either a DED Certified CDBG Administrator or a staff member of the City of Omaha or Lincoln that works with the CDBG program.
- **Question #26: Who is liable if HUD subsequently disagrees with the blight determination?**
 - Answer: If HUD determines that the blight determination was incorrect the local unit of government who severed as the grantee will be responsible. If the local grantee was not a government entity either the nonprofit or the state will be the responsible entity

Program Administration

- **Question #27: Who administers program details such as the soft seconds and homebuyer counseling?**
 - Answer: Program details such as who administers soft seconds and homebuyer counseling for individual programs will need to be detailed in the local unit of government or non-profit organizations program guidelines. The applicant will then need to implement what they have identified in their program guidelines.

Program Requirements

- **Question #28: Does the Uniform Relocation Act apply to CDBG NSP projects?**
 - Answer: Yes, the Uniform Relocation Act does apply to all CDBG NSP projects. Note, that if a property is identified under a proposed CDBG NSP1 application and a tenant is known, a General Information Notice should be sent to the owner and/or tenant informing them of URA prior to submitting an application to NDED on May 6, 2009.

Scoring

- **Question #29: Will projects and locations which have foreclosed properties receive a higher priority rate than demolition only activities?**
 - Answer: Demolition only activities will neither receive a higher or lower priority than housing related projects. Said another way, there is no preference for one type of project vs. another. There is a total limitation on demolition only applications that do not include redevelopment of 30% (5.88 million).
- **Question #30: Is there a disadvantage for a community applying for CDBG NSP1 funds to demolish one (1) blighted structure?**
 - Answer: No.

Timeliness of Use & Expenditure of NSP Funds

- **Question #31: If a house was complete and the buyer was not quite ready to move prior to the end of the grant contract with DED (maybe a pending divorce or outstanding collection account) could the grantee rent to the family until they can purchase so that we meet the NSP requirement?**
 - Answer: Yes, you can lease to the client and meet the national objective. You will need to make sure the program was set-up to allow for either ownership or leasing. If they (or someone else who is income qualified) is required to purchase the house within 36 months – it is still a “homebuyer” activity and not subject to all of the rental property restrictions (longer period of affordability and rent limits).

Timeliness of Use & Expenditure of NSP Funds

- **Question #32: With the two (2) year timeline do all households assisted with NSP funds need to be sold by that time or can purchase agreements suffice?**
 - Answer: The national objective will have to be met in the 2 year timeline, so, yes, the houses would need to be sold to qualified buyers/occupied by qualified renters whichever the case may be.

Additional Questions?

- Today or In The Future
 - Lara Huskey, Director, Community & Rural Development Division
 - 402-471-3759 or lara.huskey@nebraska.gov
 - Lynn Franzen, Economic Development Consultant
 - 402-471-3781 or lynn.franzen@nebraska.gov

Where Do We Go From Here?

- Continue Sending Questions
- Weekly/Bi-Weekly Conference Calls or Webinars