THE CHALLENGE OF FORECLOSED PROPERTIES

An Analysis of State and Local Plans to use the Neighborhood Stabilization Program

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Enterprise™

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EXECUTIVE SUMMARY

The economic crisis that continues to grip the nation was started, in large part, by a rapid increase in home foreclosures. As housing prices began to decline in 2006, residential foreclosures increased in the subprime market, and quickly spread to the rest of the housing market. The numbers are staggering—millions of Americans are losing their homes to predatory lending, declining housing prices and/or a decrease in household earnings. Credit Suisse estimated in December of 2008 that 8.1 million homes, or 16 percent of all mortgages, will go into foreclosure by 2012.[1] Furthermore, as the economy falls deeper into recession, job losses exacerbate the foreclosure problem as homeowners struggle to make their mortgage payments.

The ripple effects of foreclosures go beyond just the homeowners immediately impacted. According to the Center for Responsible Lending, over 40 million homes in neighborhoods hit by the foreclosure crisis will experience price decline by the end of 2009.[2] Meanwhile, cities and towns are suffering a loss of tax revenue as an estimated $352 billion in property values is lost this year.[3]

In addition to those economic implications, foreclosed and abandoned properties in a neighborhood can lead to increases in gang violence, vandalism, prostitution and/or illegal trafficking. Abandoned and vacant properties blighting a neighborhood make it difficult for the remaining homeowners in the community to maintain their properties. Foreclosures can cause a downward spiral of disinvestment, leading to yet more foreclosures. Thus, as foreclosures rise nationwide, communities decline. Enterprise and many other community development organizations have been working for decades to *build* high-quality, safe and stable neighborhoods. Therefore, our role in solving the national foreclosure crisis is to stabilize communities and design innovative solutions to ensure that this never happens again.

Enterprise is a national leader in providing investment capital and development services for affordable housing and community revitalization. In 25 years, Enterprise has raised and invested over $10 billion to help finance more than 250,000 affordable homes in communities across the nation. A decades-long campaign of responsible investment in low-income communities is threatened by this wave of foreclosures that destabilizes neighborhoods and starts a new cycle of blight and further abandonment.

To avert this possibility, Enterprise and our partners worked with Congress in 2008 to establish funds to address the growing number of vacant and foreclosed properties in neighborhoods. In response, Congress allocated $3.92 billion for the Neighborhood Stabilization Program (NSP) in the Housing and Economic Recovery Act of 2008. NSP is a new federal program, based upon the Community Development Block Grant (CDBG), designed to give localities funds to reduce the harmful effects foreclosed and vacant properties have on local neighborhoods. To achieve neighborhood stabilization, localities can spend NSP funds on five eligible uses:

1 Credit Suisse. "Foreclosure Update: Over 8 Million Foreclosures Expected." December 4, 2008.
2 Center for Responsible Lending. "Updated Projections of Subprime Foreclosures in the United States and Their Impact on Home Values and Communities." Issue Brief, August 2008. Available at: **http://www.responsiblelending.org/pdfs/updated-foreclosure-and-spillover-brief-8-18.pdf**
3 Ibid.

A. Establish financing mechanisms for the purchase and redevelopment of foreclosed homes
B. Purchase and rehabilitate properties that have been abandoned or foreclosed upon
C. Establish and operate land banks for homes and residential properties that have been foreclosed upon
D. Demolish blighted structures
E. Redevelop demolished or vacant properties[4]

Both the foreclosure crisis, as a problem, and NSP, as a tool, are new. As a result, many local governments are struggling to determine how best to use NSP funds to stabilize their communities. The 306 state and local governments that received a direct NSP allocation from the Department of Housing and Urban Development (HUD) were required to write action plans that detailed how they would use NSP funds to confront the foreclosure crisis and stabilize communities. For the most part, state and local governments wrote these action plans in isolation and with limited awareness of how other NSP grantees were thinking about using NSP funds.

We decided to review selected NSP action plans for two main reasons: to learn what NSP grantees are doing with the money and to share promising approaches. Considering the large sum of money allocated, there is little industry knowledge of how NSP grantees, both individually and in the aggregate, are planning on using their NSP funds. How many homes will be purchased and rehabilitated? What percentage of NSP grantees plan on leveraging private funds to achieve greater impact? Which NSP grantees have innovative strategies? How many NSP grantees are requiring some sort of green or energy-efficient rehabilitation standard?

To learn the answers to these questions, we reviewed and analyzed 87 NSP action plans, including 22 states, 24 counties and 41 cities. These 87 plans account for $2,258,194,518, or 58 percent of the total NSP national allocation. Analysis and extrapolation of the data from the 87 plans reveals interesting statistics on how NSP funds will be used around the country. Similarly, we identified numerous promising and innovative program approaches—practices that are likely to increase the impact and effectiveness of NSP funds.

Using data we gathered from these 87 plans, we looked at how programs around the country intend to use their NSP dollars. NSP dollars will pay for purchase and rehabilitation (56%), homebuyer finance (21%), property redevelopment (13%), blighted structure demolition (6%) and land banks (4%). These figures do not include program administration costs, which account for about 8.6 percent of funds, comfortably below the statutory 10 percent ceiling.

In addition to a quantitative analysis of the allocation of resources, we looked for promising approaches—strategies, financing mechanisms and program models that appear to be sound, practical and in some cases innovative. We were able to identify promising approaches in the following areas: acquisition and discount strategies, disposition strategies, geographic targeting, green building and rehabilitation strategies, income targeting and long-term affordability, leveraging NSP funds, and partnerships and management. It is too soon to tell if these promising approaches will become best practices, but we are confident that we identified practices that are likely to be highly successful. This will be critical as localities and nonprofits prepare for the second, competitive round of NSP funding.

4 Housing and Economic Recovery Act of 2008. P.L. 110-289. Section 2301(c)(3)(A)-(E).

The funding allocated to the NSP, while large for a new HUD program, is small compared to the size of the foreclosure problem. Thus, it is imperative that state and local governments make effective use of these funds, carefully tailoring strategies to local market conditions and leveraging resources to make the funding go further. This is also why NSP must be subject to more rigorous research in the future. Policy makers need accurate statistics on how many units will be affected with NSP, how much private capital will be leveraged and whether this program is having the desired impact.

Ultimately, policymakers will have to decide whether NSP has been able to ameliorate the negative neighborhood impacts of foreclosures caused by the bursting of the housing "bubble." If NSP is judged to be an efficient, effective tool, policymakers may want to consider making it permanent for cities that have lost significant population and were struggling with vacant and abandoned properties even before the foreclosure crisis.

Based on the research presented in this paper, our conclusion is that, overall, NSP grantees are planning to use NSP funds for innovative and effective programs. Therefore, we are confident that NSP stands a good chance of having the desired effect of stabilizing communities across America. Though it will be many years before anyone is able to definitively measure the success of NSP, this is a great first step in the effort to slow the decline of America's neighborhoods.

CHAPTER 1

INTRODUCTION AND BACKGROUND

Solutions to the foreclosure crisis can be distilled to two basic elements: front-end and back-end solutions. Front-end solutions attempt to keep people in their homes through loan modification, refinancing and/or financial counseling or assistance. These front-end solutions are essential to stabilizing neighborhoods by avoiding foreclosure. Unfortunately, not every foreclosure can be averted; vacant and foreclosed homes will continue to plague America's neighborhoods as a result of the current financial crisis. Therefore, we also need back-end solutions – programs that stabilize neighborhoods by eliminating blight and putting families back into vacant and foreclosed homes.

To this end, Enterprise and our partners worked with Congress in 2008 to establish funds to address the growing number of vacant and foreclosed properties in neighborhoods. In response, Congress allocated $3.92 billion for the NSP in the Housing and Economic Recovery Act (HERA) of 2008. Based upon the CDBG, NSP is a new federal program designed to give localities funds to reduce the harmful effects foreclosed and vacant properties have on local neighborhoods. To achieve neighborhood stabilization, NSP grantees can spend NSP funds on five eligible uses:

A. Establish financing mechanisms for the purchase and redevelopment of foreclosed homes
B. Purchase and rehabilitate properties that have been abandoned or foreclosed upon
C. Establish and operate land banks for homes and residential properties that have been foreclosed upon
D. Demolish blighted structures
E. Redevelop demolished or vacant properties[1]

A number of program requirements are unique to the NSP program and not found in CDBG. For example, 25 percent of a grantee's allocation must be "used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of AMI."[2] Such specific program elements will be discussed in greater depth in the "Promising Approaches" chapters, which outline promising approaches developed by NSP grantees to meet these program requirements.

In September 2008, HUD allocated NSP funds through a needs-based formula to 306 states, cities and counties. Each state received a minimum of $19.6 million, or 0.5 percent of the total allocation, and an additional 258 of the neediest cities and counties received direct allocations. For the purposes of this NSP allocation, Congress defined need by the number and percentage of homes in foreclosure, the number and percentage of homes financed by a subprime mortgage and the number and percentage of homes in default or delinquency. Localities that did not receive direct allocations may apply for state funds.

By December 1, 2008, each NSP grantee submitted a CDBG Substantial Amendment, or "action plan," to HUD outlining how they intend use their funds. HUD reviewed the plans during the

1 Housing and Economic Recovery Act of 2008. P.L. 110-289. Section 2301(c)(3)(A)-(E).

2 "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008." Department of Housing and Urban Development. *Federal Register*. Vol. 73, No. 194. Monday, October 6, 2008, p. 58336.

first quarter of 2009, and all grant agreements are expected to be signed by the end of March 2009. Grantees will then have 18 months to obligate funds for NSP-eligible projects.

In addition to the original $3.92 billion allocated under HERA in July of 2008, Congress allocated $2 billion more to NSP in the American Reinvestment and Recovery Act (ARRA) of 2009 – often referred to as the "stimulus." This $2 billion will be allocated through a competition. In addition to states, cities and counties, nonprofits and consortia of nonprofits in conjunction with for-profits may also apply for funds. The ARRA bill included funds for capacity-building activities and corrected some troubling legislative mandates from the original HERA bill. Most notably, Congress repealed the program income section. By the end of April 2009, HUD will publish its criteria for this second round of NSP funding, and applications must be submitted to HUD by mid-July. The competitive aspect of this second round of NSP requires localities to write outstanding plans, which given the time constraints, will be a challenge. However, it is our hope that the information presented in this report will be of great assistance to localities and nonprofit entities attempting to meet this deadline.

CHAPTER 2

DATA ANALYSIS

Introduction

We examined 87 NSP action plans from 22 states, 24 counties and 41 cities. This chapter analyzes the data, presents important findings and discusses several limitations that result from our sampling technique. First, we take a look at spending by eligible-use category and by the type of locality receiving these funds (states, cities, counties). Next, we consider the intended outcomes and performance metrics these NSP grantees included in their plans. We then review action plans to find out how they are leveraging NSP funds and whether they are considering environmental sustainability. Finally, we forecast the size of NSP's outcomes and impact.

Data and Limitations

The plans in our sample ranged in size from just over $2 million (Montgomery County, MD) to $145 million (State of California). Compared to all NSP recipients announced by HUD, the average allocation amount in our data set was about twice as large. Consequently, we covered 58 percent of the total first-round appropriation dollars, with 28 percent of recipients. Figure 1 compares the summary statistics of our sample to the universe of all NSP plans.

Figure 1 – NSP Allocations Studied

Metric	Sample	Entire NSP
Average	$25,956,259	$12,810,458
Minimum	$2,073,965	$1,144,289
Median	$16,143,120	$5,557,847
Maximum	$145,071,506	$145,071,506
Standard Deviation	$28,223,026	$18,596,573
Sample Size	87	306
Total Allocation in Sample	$2,258,194,518	$3,920,000,000

Note: We treat the insular areas (Guam, American Samoa, Northern Mariana Islands and the U.S. Virgin Islands), which were not included in our sample, as one recipient.

Several issues arise from our grantee selections: over-sampling large NSP recipients, over-sampling Rust Belt NSP grantees, and under-sampling smaller NSP grantees. In this section, we discuss the causes and consequences of these selection decisions, especially the potential difficulties we face when attempting to extrapolate findings from our sample across all NSP plans.

First, we over-sampled large cities because they tended to receive large NSP allocations. We also anticipated that large cities would have more experience with the concept of neighborhood stabilization and would therefore incorporate more innovative or promising approaches in their NSP action plans. Specifically, larger cities tend to have more sophisticated community development departments and are, therefore, more likely to have the capacity to leverage funds and design complicated financing mechanisms. As a result, our leveraging statistics may be exaggerated.

Second, we over-sampled the Rust Belt. This was a deliberate choice for several reasons: Enterprise's presence in Ohio, the gravity of the foreclosure problem in Michigan and the generally large size of the Rust Belt NSP allocations. We found that neighborhood stabilization in these weak-market cities often emphasizes demolition and, to a lesser extent, land banking. This could exaggerate our demolition and land banking statistics. However, this problem is largely mitigated with access to a HUD dataset, which has select information on all NSP grantees and their action plans. By linking their dataset to ours, we were able to adjust our findings accordingly so as to better represent the true magnitude of demolition in the NSP program.

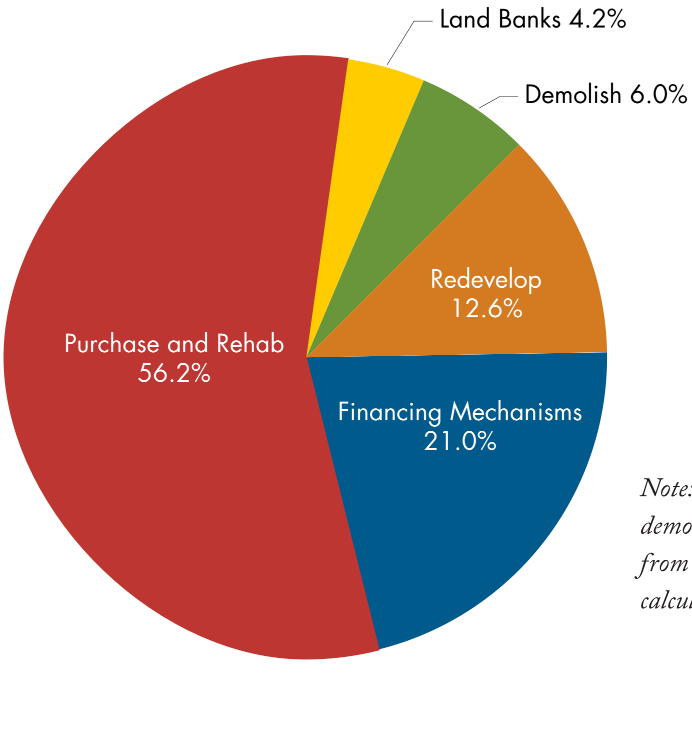
Finally, we under-sampled small cities and rural areas, because they received small NSP allocations or no direct allocation at all. Consequently, we may have missed promising approaches that cater to such localities. In particular, we likely missed innovation among smaller localities partnering with private entities and other levels of government. On the other hand, if good program implementation requires large fixed costs, these smaller grantees may be less efficient than other localities in our sample.

Despite these limitations, we believe that the data gathered in this study helps shed light on how NSP dollars will be spent and allows us to highlight a number of promising approaches in localities across the country.

Spending by NSP Eligible Use

Using data we gathered from these 87 plans, we looked at how programs around the country intend to use their NSP dollars. The majority of funds (56%) are going towards purchasing and rehabilitating foreclosed or abandoned properties. NSP dollars will also pay for homebuyer finance (21%), which consists of mechanisms such as soft second mortgages and developer gap financing. Other planned uses of the funds include: property redevelopment (13%), blighted structure demolition (6%) and land banks (4%). These figures do not include program administration costs, which account for about 8.6 percent of funds, comfortably below the statutory 10 percent ceiling. The demolition and land banking statistics come from HUD's analysis of all NSP action plans.

Figure 2 – Allocation by NSP Eligible Use

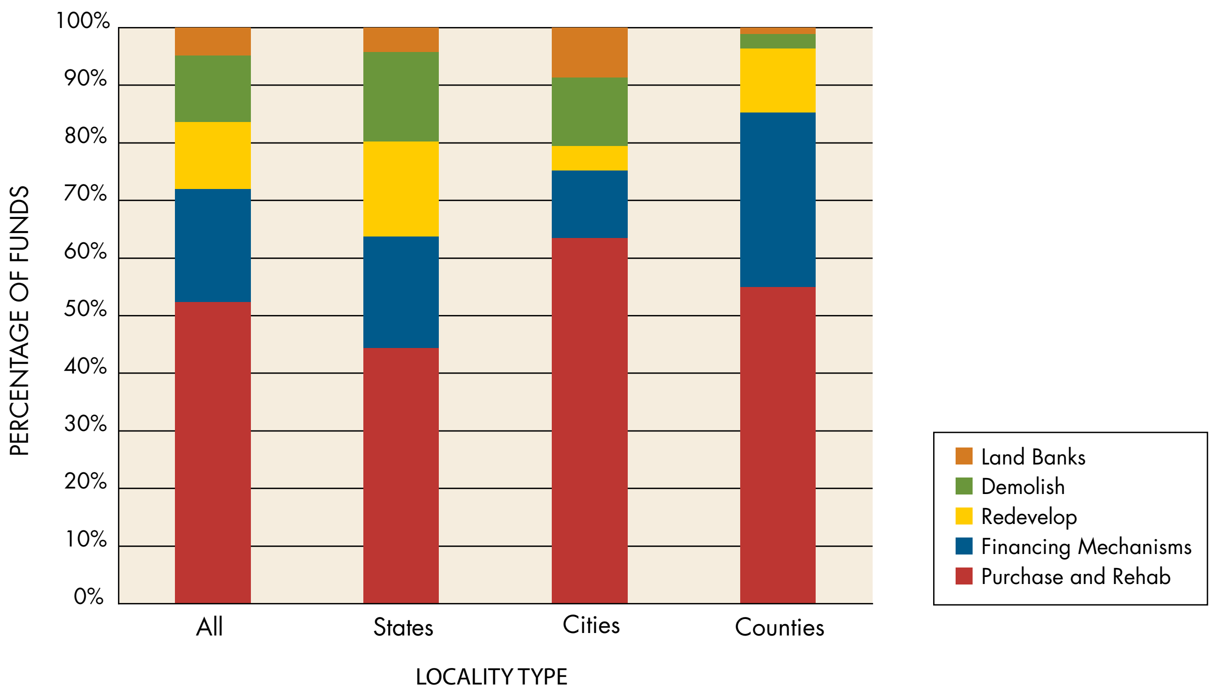


Note: Land banking and demolition statistics come from HUD. The rest are our calculations.

Comparisons Across Locality Type

As mentioned earlier, we divided our sample between states, cities and counties. This allowed us to explore any differences between how these three levels of government plan to spend their money. Figure 3 and the data table below compare how states, cities and counties used NSP dollars by eligible use. We find that cities chose to put a greater share of their funds towards purchase and rehabilitation rather than financing mechanisms. Counties in our sample spent more on financing mechanisms and less on demolition than the full sample.

Figure 3 – Comparing Spending by Use Across Locality Type

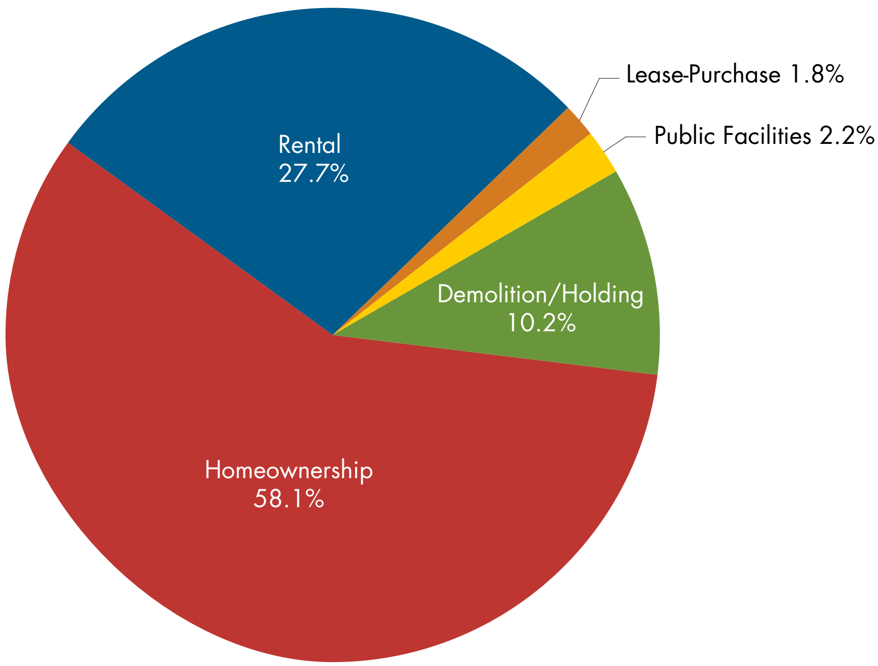


Eligible Activity	All	States	Cities	Counties
Financing Mechanisms	19.6%	19.3%	11.8%	30.3%
Purchase and Rehab	52.4%	44.4%	63.5%	55.0%
Land Banks	4.8%	4.2%	8.6%	1.1%
Demolish	11.5%	15.5%	11.8%	2.5%
Redevelop	11.7%	16.6%	4.3%	11.1%

Spending by Program Use

We also considered NSP grantees' stated program objectives for allocating funds for eligible activities. As expected, homeownership was the goal for the majority of NSP dollars, representing 58.1 percent of the total, after adjusting our figures to be consistent with HUD. In our sample, rental housing accounted for 27.7 percent of the funds, which closely tracks the statutory requirement that 25 percent of NSP funds serve populations under 50 percent of area median income (AMI). HUD's figures add weight to this observation regarding rental units. HUD found that three quarters of NSP grantees plan to use rental housing to meet this requirement, although HUD did not gather data on the costs, which prevents a direct comparison with our findings.

Figure 4 – Allocation by Major Program Use



Leveraging

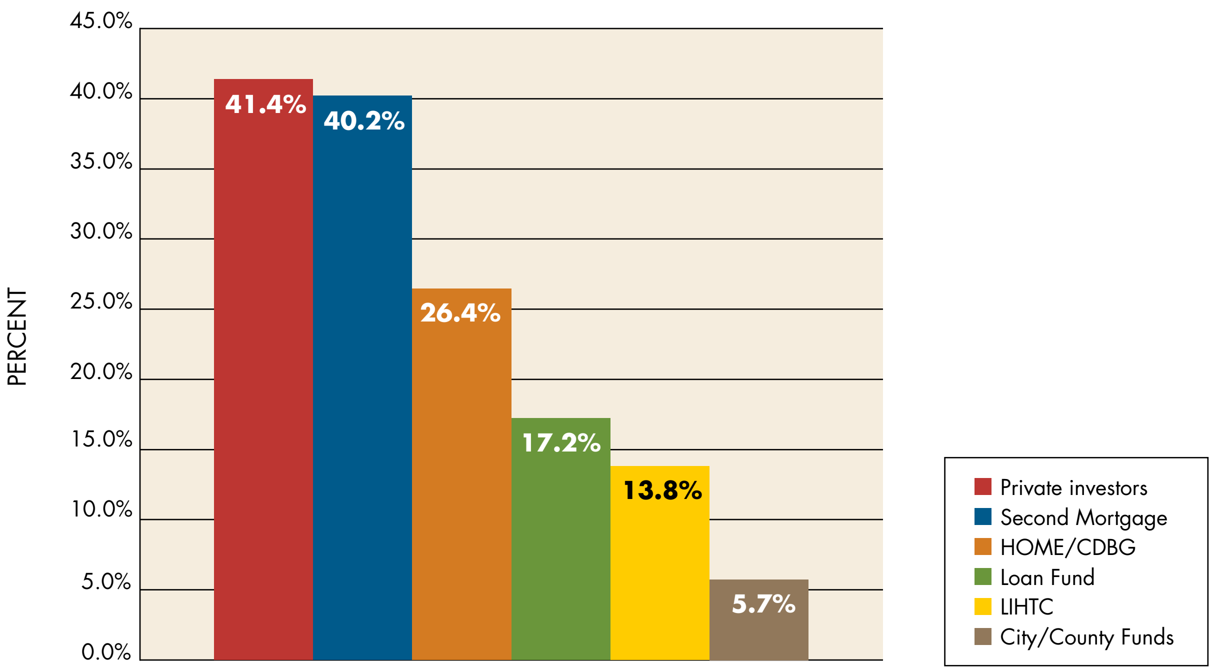
Eighty-one percent of NSP grantees in our sample plan to leverage NSP dollars. We spell out the benefits of this in Chapter 8: Promising Approaches: Leveraging NSP Funds. To summarize our key findings, leveraging helps NSP grantees get the most bang for the NSP buck.

The most common form of leveraging is private investment (41.4%), although NSP grantees did not always specify how this would be accomplished. This category includes money from philanthropies, banks or other private sources. Many NSP action plans indicated that they would offer second mortgages for homebuyers (40.2%). Second mortgages cover down payment or closing costs, which brings outside mortgage financing to the table. Several NSP grantees intend to tap into federal funds: 26.4 percent will pair NSP dollars with HOME or CDBG funds, and 13.8 percent will go after Low Income Housing Tax Credit (LIHTC) allocations.

Loan funds are critically important tools for many NSP implementers. We classified loan funds as capital pools that use NSP dollars to credit enhance and leverage private funds, which are then lent out for NSP eligible uses. These pools may be lent out to developers or rehabilitators to cover gaps in the financing needed to complete an activity. To qualify as leveraging, the plans must identify other sources of funds accessible as a result of these pools. We identified loan funds for 17.2 percent of plans.

Communities such as Cook County, IL, and New York City will use revolving loan funds, where a portion of the repaid funds will go towards further NSP activities. Another example of a revolving loan fund is the National Community Stabilization Trust (NCST), spelled out in more detail in the "Promising Approaches" chapters. Several NSP grantees in our study will access NCST.

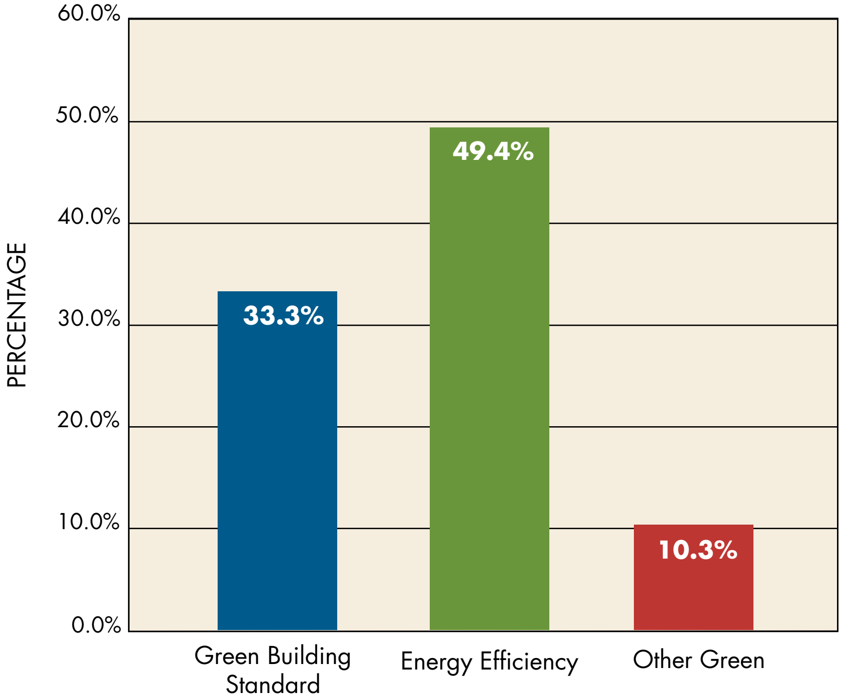
Figure 5 – Leveraging



Green Initiatives

Enterprise considers environmental sensitivity and sustainability to be important components in any development project and has developed a **Green Communities Standard** for all new and rehabilitated affordable housing. One-third of the plans reviewed mentioned this standard, or discussed a comparable green building standard (such as the LEED standard). About one-half of NSP action plans discussed incorporating energy-efficient appliances or lighting into rehabilitation. 10.3 percent of NSP grantees mentioned other green initiatives that do not fall into either of the above categories (such as deconstruction and recycling programs).

Figure 6 – Environmental Initiatives



Predictions

Our data allowed us to estimate the cost per unit for each of the eligible-use program categories. Combining these estimates with the share of NSP dollars spent on each use let us predict the number of units served by the initial $3.92 billion allocation. After subtracting 8.6 percent of the allocation for program administration, we found that the first round of NSP will serve 77,509 total units across the five eligible uses.

For several reasons, this likely represents a very conservative estimate and should therefore be treated as a low estimate. Most significantly, nearly every locality set performance metrics based on the initial NSP appropriations, without counting recycled program income. Therefore, our predictions do not include the additional units that will be purchased or financed with NSP program income. If we assumed that only one-half of funds from purchase and rehabilitation and financing mechanisms were recycled into purchasing or financing additional homes, our prediction would rise by 24,716, meaning a total of 102,225 units would be affected with NSP funds. Figure 7 offers predictions on the units served by NSP with and without this assumption.

Figure 7 – Predictions

Eligible Activity	Cost/Unit	Percent	Units Served	With Recycling
Financing Mechanisms	$32,370	21.0%	23,221	34,832
Purchase and Rehab	$76,884	56.2%	26,211	39,317
Land Banks	$30,861	4.2%	4,888	4,888
Demolish	$14,068	6.0%	15,338	15,338
Redevelop	$57,369	12.6%	7,851	7,851
TOTAL			**77,509**	**102,225**

CHAPTER 3

PROMISING APPROACHES: ACQUISITION AND DISCOUNT STRATEGIES

According to the HERA statute, properties acquired with NSP funds must be purchased at a discount below market value (as established by an appraisal within the last 60 days). HUD has interpreted this as a 5 percent discount for individual properties, and a 10 to 15 percent discount for a grantee's overall portfolio.[1] A lower discount may be permissible on a case-by-case basis, but the jurisdiction must determine this through a calculation of seller carrying costs. HUD's uniform relocation requirements apply if tenants are to be displaced as the result of a purchase made using NSP funds. Also, the costs of acquiring, renovating and sale of foreclosed and abandoned properties can be financed with NSP, but rental operating expenses, maintenance and tenant-based rental subsidies are not eligible.

It is important to note that the value of property in NSP-targeted neighborhoods has dropped precipitously over the past year, but local programs often still face competition from small-time investor-owners and larger vulture funds. Obtaining properties at a price that will work for a local program may be challenging. In addition, stabilizing a neighborhood requires establishing control over a critical mass of properties in that community. The dispersed ownership of properties means that, in most neighborhoods, reaching this critical mass requires pursuing multiple acquisition strategies. To exacerbate this problem, many local governments are finding that it is difficult, time-consuming, and costly to negotiate the purchase of properties with larger servicers. Local governments are responding to this challenge with an assortment of strategies.

Promising Approaches

A. Open market
B. Homebuyer selection
C. Developer selection
D. National Community Stabilization Trust (NCST)
E. Bulk deals
F. HUD/Federal Housing Administration (FHA)
G. Lien (tax or building code)

A. Open market

Localities receiving NSP funds must identify target areas in which funds can be used. Many NSP grantees allow partners to acquire foreclosed and abandoned properties from any lender/servicer as long as the properties are located within the target areas and meet the NSP discount and acquisition requirements.

St. Louis County, MO: The county will contract with nonprofits, quasi-governmental agencies and for-profits to negotiate with owners of foreclosed and abandoned properties.

Toledo, OH: The City of Toledo NSP program manager and administrator, in conjunction with area nonprofits and citizen organizations, will identify abandoned or foreclosed-upon properties

1 "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008." Department of Housing and Urban Development. *Federal Register*. Vol. 73, No. 194. Monday, October 6, 2008, p. 58338.

within target neighborhoods. With the help of the Greater Toledo Homebuilders Association, the city of Toledo's NSP rehab specialist and technician will inspect the property, assess lead hazard risk, develop work specifications to bring the house up to the city's housing standards and estimate the total cost to rehab, including a developer fee of up to 15 percent. The specs and estimated cost will be shared with the NSP program manager, NSP program administrator and the neighborhood's third-party project developer to determine whether to proceed with the purchase.

B. Homebuyer selection

Many NSP grantees plan to use NSP funds to offer financing to potential homebuyers. The homebuyers themselves must identify, purchase, and rehab the homes; NSP financing helps provide down payment and closing cost assistance and, in some cases, rehabilitation funds as well.

This strategy is less costly and risky for NSP grantees because at no point are they directly responsible for the properties. This may also reduce costs for homebuyers if they can obtain homes at steeply discounted prices and with attractive financing terms. However, the homebuyers will have to personally search out a foreclosed home, secure private mortgage financing and then assume rehabilitation costs, which could be substantial. If they are inexperienced at hiring and supervising contractors and properties need substantial renovation, this could be a difficult process. To ensure the property meets housing-quality standards, many NSP grantees will require that a city-employed inspector look at the property prior to purchase to identify any issues that need to be corrected. The NSP jurisdiction must also ensure that the property meets all NSP requirements, such as discounts on the acquisition, environmental review or verifying its status as foreclosed or vacant.

Los Angeles, CA: Los Angeles will offer a walk-in homebuyer program under which households with incomes less than 120 percent AMI will identify foreclosed single-family homes to purchase as their primary residences. All foreclosed properties acquired with NSP funds will be located within the identified target areas of greatest need and purchased at a minimum 5 percent discount from the appraised value. The city will provide mortgage assistance and rehabilitation loans to eligible homebuyers using NSP funds.

Miami, FL: The homebuyer must locate an abandoned and/or foreclosed residential property within city limits, meet with the bank holding title to the property and get pre-qualified for a mortgage loan from a private lender. The City of Miami will inspect the property to ensure compliance with housing standards and underwrite the shared-equity investment based on all financial commitments provided to the homeowner. The city will process applications on a first-come, first-ready, first-served basis. Properties must be located in a city-defined area of greatest need.

C. Developer selection

Similar to homebuyer selection, NSP grantees may offer subsidized financing to developers of multi-family rental housing or special-needs housing as an incentive to purchase foreclosed properties, rehab them and then operate them as rental housing. In these scenarios, the developer is responsible for locating and purchasing the properties.

Palm Beach County: The county has budgeted $7.5 million for nonprofits to acquire property for "homeless assessment centers." The activity involves the acquisition, rehabilitation and redevelopment of two properties to be owned by Palm Beach County for use as homeless assessment centers. These centers will provide initial service and short-term shelter to an estimated 1,766 homeless people who reside in Palm Beach County. The facilities must be located in identified areas of greatest need, but the nonprofit partners will identify suitable foreclosed and abandoned properties.

Sacramento City and County, CA: Both the county and the city intend to operate a vacant properties program that is designed to return vacant properties to owner occupancy. Developers who acquire, rehabilitate and sell properties will receive an incentive fee. Properties must be chosen from targeted areas and approved by the Sacramento Housing and Redevelopment Authority to ensure compliance with NSP requirements.

D. National Community Stabilization Trust (NCST)

NCST is a new national nonprofit organization formed to provide an efficient and cost-effective mechanism for transferring foreclosed properties to local programs working to stabilize communities from foreclosures. NCST can acquire properties in bulk from lenders, servicers, investors and government-sponsored enterprises. It will also provide short-and intermediate-term financing for the purchase and rehabilitation of foreclosed and abandoned property. NCST is a partnership of Enterprise, the Housing Partnership Network, the Local Initiatives Support Corporation, the Urban League and NeighborWorks America. For more information, visit **http://stabilizationtrust.com.** The NCST will facilitate the transfer of properties to local partners through two programs:

1. The First Look Program allows buyers to inspect and acquire foreclosed and vacant properties before they are listed for sale through traditional means. The First Look Program results in an adjusted purchase price that reflects market conditions and the holding expenses the seller avoids through a quick sale.
2. The Targeted Bulk Purchase Program allows buyers to select and purchase distressed properties from sellers' portfolios, and may include dozens of properties in a single transaction. These properties comprise aged inventory from the sellers and are offered at pricing similar to the First Look program.

Minneapolis, MN: Minneapolis was one of the first local NSP grantees to work with NCST. Minneapolis will utilize NCST's First Look Program to purchase both single-family and multi-family properties. The First Look Program will allow the city to view REO properties and have the first option to purchase before any other buyers.

NCST will identify foreclosed properties held by partner servicers. NCST will then confirm the availability of properties and arrange for them to be viewed by local nonprofits. When nonprofits confirm their interest in proceeding, NCST will facilitate transfer of ownership from financial institutions to the nonprofits, who will rehab and sell them or use them as rentals. Properties must be one- to four-family units.

E. Bulk deals

NSP grantees with large numbers of foreclosures may find that negotiating bulk purchases of foreclosed properties offers greater efficiencies for financing the acquisition, as well as for renovations or redevelopment. Depending on lending patterns, bulk purchases may also offer the opportunity to concentrate impact in defined areas of greatest need.

San Bernardino County, CA: With over 20,300 properties foreclosed on between July 1, 2007, and September 30, 2008, San Bernardino County sees bulk purchases as a key strategy for concentrating impact in defined neighborhoods. The county hopes to coordinate with other NSP grantees receiving NSP funds to select intermediaries to do the bulk purchases and to coordinate the financing needed to secure the properties.

Georgia: The Georgia Department of Community Affairs (DCA) will help to broker deals between NSP applicants and holders of REO in order to facilitate the speedy acquisition of these properties. Most acquisitions will be done by local governments through related entities—development authorities, land banks, public housing authorities and housing finance agencies.

F. HUD/Federal Housing Administration (FHA)

The NSP notice specifically encouraged localities to acquire HUD/FHA homes with their NSP funds, because these homes are highly likely to be compatible with the eligible uses of grant funds, the areas of greatest need and the income-eligibility thresholds and limits. Furthermore, in many areas, FHA-foreclosed properties will be available for purchase at below-market value.

Detroit, MI: Detroit and HUD developed a pilot project in which, for $1, the city can purchase HUD REOs that have been on the market for 180 days. These properties are then turned over to nonprofits for rehab and sale or rental. The city has already identified many of the properties that will be part of this program.

G. Lien (tax or building code)

In some instances, NSP grantees plan to acquire foreclosed and abandoned properties through a judicial process. Acquisition may result from the owner's failure to pay property taxes or because the owner failed to make repairs required by the local building code.

Washington DC: The DC Department of Housing and Community Development (DHCD) will invest the District's $2.8 million NSP allocation in Ivy City/Trinidad, one of the city's neighborhoods with the greatest need. Since 2003, DHCD has acquired a total of 37 vacant properties through tax foreclosures and public purchase. The District is able to foreclose on tax liens that are not purchased by private investors. The DC government is also able to acquire additional vacant and abandoned properties through negotiated sales and select use of eminent domain on the basis of slum and blight. The development rights to the District-owned properties have been conditionally awarded to four nonprofit developers: MissionFirst, DC Habitat for Humanity, Mi Casa, Inc. and Manna, Inc. The properties will be sold to these developers below market value to reduce the acquisition costs and subsidy needs, thus making it feasible to create affordable housing.

CHAPTER 4

PROMISING APPROACHES: DISPOSITION STRATEGIES

According to the NSP notice, "the maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property)."[1]

Returning vacant and abandoned properties to productive use is necessary in order to stabilize struggling neighborhoods. The more quickly this happens, the more rapidly neighborhoods will stabilize. However, holding and managing a portfolio of single-family detached houses is expensive, requires specialized staff and carries considerable risk, especially in unstable real estate markets. For all of these reasons, many neighborhood stabilization programs will be better off to dispose of properties quickly—or to avoid taking ownership of properties all together. After all, local governments and non-profits that acquire foreclosed, vacant or abandoned properties and are unable to dispose of them, run the risk of becoming the slumlords they are seeking to remove.

NSP funds may be used for down payment and closing costs, but buyers will have to obtain first-mortgage financing. Some NSP grantees are looking at creative ways to use NSP funds as loan guarantees or reserves in order to attract more private-sector lending. However, mortgage underwriting standards have tightened significantly, making it difficult for borrowers with low to moderate incomes to qualify for conventional, responsible mortgages. As a result, more potential homebuyers will likely have to be identified and counseled.

Perhaps the largest challenge in some localities, especially those with significantly depressed markets, will be attracting enough homebuyers to tough neighborhoods with high foreclosure rates. One promising method to overcome this marketing challenge is to have effective one-on-one counseling that will help clean up credit and pre-qualify families for first-mortgage financing. According to the notice, NSP-assisted homebuyers must complete at least eight hours of homebuyer training from a HUD-approved housing counseling agency before obtaining a mortgage loan, and NSP funds may be used to pay for this training. However, simply requiring training does not guarantee that it will be successful, especially if training is conducted in group settings due to financial constraints.

Promising Approaches

A. Homebuyer training programs
B. Homebuyer financing
C. Loan guarantees/reserves
D. Lease-purchase
E. Rental
F. Demolition/land banking

1 "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008." Department of Housing and Urban Development. *Federal Register*. Vol. 73, No. 194. Monday, October 6, 2008, p. 58338.

A. Homebuyer training programs

NSP-assisted homebuyers must complete eight hours of training from a HUD-approved counseling agency prior to purchase. Some NSP grantees will also make available (or even require) post-purchase counseling to help buyers learn about maintenance and repairs, how to work with rehabilitation contractors, how and when to refinance responsibly and budgeting. Many counseling agencies are finding that they have to counsel more people in order to generate the pool of buyers they need. If previously they educated three people for every one homebuyer, now they may have to counsel six or more.

Clark County, NV: Clark County will use $125,000 of its NSP allocation for homebuyer training. At $100 per person, an anticipated 1,250 homebuyers will receive training. The county estimates that it will need to educate 10 people to create one homebuyer. The county will select HUD-approved counseling agencies through an RFQ process to provide the training.

Rhode Island: Rhode Island plans to use $40,000 of its NSP allocation to counsel 120 homebuyers (at an average cost of $333/each). Every homebuyer will complete a minimum of eight hours of homebuyer counseling conducted by a HUD-approved counseling agency. Rhode Island further encourages homebuyers to participate in a supplemental four-hour training being developed by the Housing Network of Rhode Island, which will focus on issues specific to purchasing foreclosed properties.

B. Homebuyer financing

Most NSP grantees receiving NSP funds are assisting homebuyers to purchase and acquire properties. Generally, NSP-assisted buyers must agree to occupy the homes as their principal residences. They are often required to be first-time homebuyers; in some cases, this is defined as not having owned a home for the last three years.

Moreno Valley, CA: The city plans to modify an existing down-payment assistance program for use with NSP funds. First-time homebuyers earning up to 120 percent of AMI may receive up to 20 percent of the home sales price in the form of a zero-interest, soft second, 30-year deferred loan. The city will collect a prorated share of any equity gain should the property sell or transfer before the end of the affordability period. The soft second loan will be forgiven if the homebuyer remains in the unit for the full affordability period. The amount the city will be able to gain through the shared-equity provision cannot exceed the amount of its second-mortgage financing. Homebuyers must have a 3 percent down payment.

C. Loan guarantees/reserves

Some NSP grantees have elected to use NSP funds as loan guarantees or reserves in order to leverage private-sector lending.

Chicago, IL: Chicago's plan creates a mortgage loan credit enhancement to secure mortgage financing and quickly fill vacant properties. The exact form of the credit enhancement is still being worked out. Chicago may model the NSP enhancement after its Neighborhood Lending Program, which uses $4 million in CDBG funds to enhance a mortgage pool of $30 million.

Atlanta, GA: The city is exploring how to use NSP funds to enable the local or state housing finance agencies (Urban Residential Finance Authority or Georgia Department of Community Affairs), to issue single-family mortgage revenue bonds that would be attractive to those potential homebuyers with incomes equal to or less than 120 percent of AMI.

D. Lease-purchase

Many NSP grantees anticipate that there will not be enough homebuyers with the cash and/or credit to purchase homes immediately, particularly under the more stringent lending criteria now in effect. Lease-purchase programs allow potential buyers to occupy a property as tenants while taking the steps necessary to qualify for a conventional mortgage.

Michigan: The state has created an innovative displacement prevention program that will allow homeowners facing foreclosure to remain in their homes. Families will deed homes to the lenders in lieu of foreclosure, and the lenders will sell them to nonprofit organizations. The nonprofits will then lease the properties to the current occupants at an affordable rent. If a family can become mortgage ready during the lease period, it may repurchase the home from the nonprofit.

City of San Diego, CA: San Diego plans to use a lease-purchase program to satisfy the NSP targeting requirement to households at or below 50 percent of AMI. This program will be marketed to Section 8 voucher holders. The San Diego Housing Commission or a community-based nonprofit organization will purchase single-family homes and SDHC will issue each tenant a project-based Section 8 voucher. Each unit will remain in either SDHC's or the nonprofit's portfolio until the family can purchase the unit, or it is offered to another eligible family.

Cleveland, OH: Cleveland is considering using NSP funds to support the LIHTC-based lease-purchase program, which has been operating for a number of years. This program allows tenants to purchase their units at the end of the 15-year affordability period required by LIHTC at a cost that results in mortgage payments equal to or less then the rent they had paid prior to purchase. Lease-purchase for LIHTC units is generally limited to single-family detached housing.

E. Rental

Homeownership will not be a realistic option for many NSP families. Therefore, many action plans emphasize rental and special needs housing, particularly to meet the low-income set-aside requirement. Rental housing may be developed and operated by for-profit or nonprofit developers, small business owners, supportive housing providers or public housing authorities.

Ohio: The state's Affordable Rental Housing Initiative will encourage the redevelopment of demolished, foreclosed or vacant structures into affordable rental housing serving households with incomes at or below 50 percent of the area median. The state plans to offer additional resources to NSP grantees that receive NSP direct awards and have a large inventory of vacant rental properties. Through a nonprofit organization, Ohio will also fund rental property acquisition in rural communities. NSP funds will be combined with Housing Development Assistance Program, LIHTC, housing development gap financing and housing development loan programs in order to create sustainable rental communities.

F. Demolition/land banking

Cities with declining populations and those that have suffered from high rates of foreclosure have more vacant and substandard units than the market can absorb. In these areas, the most effective neighborhood stabilization strategy may be to demolish and/or land bank properties. These strategies eliminate blight, help stabilize neighborhood property values and allow NSP grantees to hold vacant properties until a time when the neighborhood and local economy improve.

Genesee County, MI: The Genesee County Land Bank will act as a sub-recipient, purchasing and holding units until they can be renovated and sold to eligible buyers or rented to eligible tenants (at or below 50 percent AMI) on a rent-to-own or land-contract basis. The county will work with the land bank to help clear titles, arrange for appraisals and market available properties. The county will also contract with the Genesee County Land Bank to demolish blighted structures that the land bank already owns.

Columbus, OH: The city plans to acquire 150 units and demolish approximately 130 of them. Once the units have been cleared, the city plans to develop 111 new units, of which about 75 will be made available to households earning at or below 50 percent of AMI. The City of Columbus Land Redevelopment Office will function as the land bank. It will negotiate bulk purchases of vacant and foreclosed properties from financial institutions and may also acquire scattered-site properties that are adjacent to units purchased in bulk. Finally, the land bank will acquire abandoned and blighted properties specifically for demolition.

CHAPTER 5

PROMISING APPROACHES: GEOGRAPHIC TARGETING

The HERA statute requires that grantees must prioritize use of funds in "areas of the greatest need," which includes those areas with the greatest percentage of homes in foreclosure, with the highest percentage of homes financed by subprime mortgages, and those identified by the jurisdiction as likely to face a significant rise in the rate of home foreclosures.[1]

However, NSP grantees must use NSP funds within 18 months of receipt. This creates a tension between limiting funds to a defined area in order to achieve measurable impact and targeting a wide enough area to ensure that there is sufficient capacity to utilize funds before the deadline. Regardless, HUD takes the targeting requirement seriously and has rejected several action plans that failed to target their neediest neighborhoods. Targeting the hardest-hit communities, however, may use up all available NSP funds without producing noticeable stabilization. Tipping-point communities may offer a better opportunity for impact. Also, limiting funds to a handful of specific areas may be politically unpopular, leading many NSP grantees to define their target areas broadly. Yet spreading NSP funds too thinly reduces their effectiveness in stabilizing neighborhoods, creating a tension between responding to communities' funding needs and achieving the desired impact.

Promising Approaches

A. Use of crime statistics
B. Use of local real estate market data
C. Use of HUD risk scores
D. Use of U.S. Postal Service data
E. Coordinating use of NSP funds with communities' existing plans
F. Targeting "neighborhoods in the middle"
G. Targeting different strategies according to neighborhood characteristics
H. Walk-in programs

A. Use of crime statistics

Vacant and foreclosed homes in neighborhoods can contribute to a host of social ills, including a rise in crime. Vacant homes are ideal for vandals, drugs, illegal trafficking, gang activities, and other serious crimes. They can also become targets for thieves who break into them to strip the copper wiring and pipes. Using crime and gang statistics to identify "areas of greatest need" takes into account the social costs of foreclosure.

Los Angeles, CA: Los Angeles reviewed citywide crime and gang-related information to help determine NSP target areas. When foreclosures are located in high-crime neighborhoods, these properties are generally unattractive to private investors. The city recognized that, without public intervention and investment, abandoned properties would continue to sit vacant and contribute to increased criminal activity.

1 Housing and Economic Recovery Act of 2008. P.L. 110-289. Section 2301(c)(2).

B. Use of local real estate market data

While required by NSP to examine rates of subprime loans, foreclosure rates and future risk of foreclosure when targeting funds, NSP grantees also turned to local real estate market data to help develop their plans.

Columbus, OH: A local nonprofit research firm, Community Research Partners, gathered data and mapped sheriff's sales, foreclosures and high-cost mortgages in the Columbus area. These maps gave a more accurate measurement of foreclosure concentrations than the more common approach of mapping the percentage or number of foreclosures. Columbus included these density maps in the NSP action plan it submitted to HUD.

St. Paul, MN: In 2005, the mayor of St. Paul formed a Strategic Information Team to track indicators of the location and scale of the foreclosure and abandonment problem. The Strategic Information Team generated a number of high-quality maps included in St. Paul's action plan. These maps show the neighborhoods within St. Paul hit hardest by the foreclosure epidemic. Some of the most innovative indicators tracked were: water shutoffs, crime, vacancy density, properties with multiple complaints against them and other factors that negatively affect the quality of life.

C. Use of HUD risk scores

HUD made census tract-level data available online to help NSP grantees analyze neighborhood need and target use of NSP funds. These data identified low- and moderate-income census tracts and provided data from four sources that were used to predict whether or not those tracts had a high or low risk for foreclosed and abandoned homes. HUD provided a score from 0 to 10 for each tract, where 0 indicated that the data suggested a very low risk and 10 suggested a very high risk. The HUD risk scores helped NSP grantees determine which communities were eligible for NSP funding. Some NSP grantees went on to tie specific NSP-funded interventions to particular risk scores.

Phoenix, AZ: Phoenix divided its neighborhoods into three tiers.

- **TIER 1** were relatively stable communities with lower HUD risk factors (from 0 to 6). The goal in these neighborhoods was to help them remain healthy.

  Tier 1 neighborhoods will be eligible for very limited NSP funding, to be used for acquisition, rehab and resale or rental of key properties or for demolition when a deteriorated unit is highly visible and threatens to compromise a broader area. Phoenix plans to promote use of the HUD 203(k) program to help homebuyers in these neighborhoods acquire and rehab homes.

- **TIER 2** neighborhoods had HUD risk scores of 7-8. Phoenix hopes to use NSP funds to turn around changing neighborhoods so they become more desirable.

  In Tier 2 neighborhoods, Phoenix will use NSP funds to provide moderate rehab assistance to homebuyers, as well as for scattered-site, purchase-rehab-resale, purchase-rehab-rental, and demolition and land banking.

- **TIER 3** were the most compromised neighborhoods, with HUD risk scores of 9-10. These communities require extensive redevelopment and rebuilding in order to become stable.

Tier 3 neighborhoods will receive the highest NSP investment, starting with funding for substantial rehab to encourage homebuyers to purchase in those neighborhoods. The city will also pursue large bulk purchases of properties for purchase-rehab-resale, purchase-rehab-rental and demolition and redevelopment.

D. Use of U.S. Postal Service data

The U.S. Postal Service maintains data on address vacancies, which is updated each quarter. These are addresses that delivery staff on urban routes identify as vacant (not collecting their mail) for 90 days or longer. Several NSP grantees utilized this data in determining geographic targeting.

Indianapolis, IN: In addition to the three factors required by HUD, the city reviewed vacancy rates from the U.S. Postal Service and the density of foreclosures to help target use of NSP funds.

E. Coordinating use of NSP funds with communities' existing plans

NSP grantees were required to file their NSP plans as amendments to their action plans under HUD's consolidated plan process. This helped to tie activities to needs and priorities communities had already identified. Integrating use of NSP funds with existing plans can ensure that the funds stabilize housing at the same time they support progress towards achieving other community priorities.

Phoenix, AZ: In addition to the factors required by the NSP program, the city reviewed data from its 2005-2010 Consolidated Plan to help develop its NSP plan. The three-tiered system it developed for targeting use of NSP funds was consistent with the community development goals of the consolidated plan. See "C. Use of HUD risk scores" above for a more detailed discussion of Phoenix's tiered plan.

Cleveland, OH: Prior to the NSP, Cleveland's nonprofit development community had already established 19 model block areas. The criteria it used to select model blocks included proximity to an anchor investment or neighborhood asset, classification in Cleveland's Market Typology[2], capacity to perform redevelopment activity in that community and an assessment of the potential for market recovery. NSP is being added to a comprehensive strategy to stabilize and strengthen model blocks that includes the provision of HOME, CDBG and LIHTC funding as well as wraparound services such as mortgage workout counseling, infrastructure improvements, and other services.

F. Targeting "neighborhoods in the middle"

Neighborhoods with the best potential for recovery as a result of NSP funding are those with strengths that help offset their weaknesses. Cities may opt to target "neighborhoods in the middle," meaning neighborhoods that have been negatively affected by foreclosures but which have great potential due to the existence of strong community organizations and economic infrastructure.

2 "First published in April of 2006, the Neighborhood Typology ranks each block group in the City of Cleveland using housing market and housing physical factors. It is used to assess the relative strength of the housing market and with the update in 2008 can identify areas of Cleveland when the market improving or weakening." (Cleveland's action plan, p. 5)

Baltimore, MD: Neighborhoods considered ideal for NSP were those that the community development section of the Baltimore City Consolidated Plan 2005-2010 referred to as "neighborhoods in the middle." The plan states, "While these neighborhoods have moderate real estate values and average homeownership rates, in many cases the real estate market is not quite strong enough to respond to scattered problems. Targeted interventions, such as intervention buying, code enforcement and selective demolition, have a tremendous impact in these neighborhoods."

Franklin County, OH: The county decided to focus its use of NSP funds on the Northland and Westland neighborhoods. This was based in part on the perception of these as "tipping point" neighborhoods that had retained marketability in spite of the high incidence of foreclosure and abandonment.

G. Targeting different strategies according to neighborhood characteristics

Neighborhoods within a single jurisdiction may not share identical market characteristics. Some may have more rental properties than others, have more desirable and higher cost housing or suffer from higher rates of subprime lending. Some NSP grantees tied use of their NSP allocation to neighborhoods or census tracts meeting specific criteria.

Atlanta, GA: Atlanta uses the following classification for neighborhoods that will receive NSP funds:

- **Stable:** Neighborhoods with only a few REO properties that exhibit only minor disrepair are considered stable. However, the REO properties remaining on the market are pushing down property values and placing the neighborhood at risk for additional decline. Atlanta plans to use soft second mortgages, acquisition rehabilitation and resale to shore up neighborhoods it labels as stable.

- **Declining:** These are neighborhoods with higher rates of investor-owned properties than is found in stable neighborhoods. They often include small multi-family rental complexes, and may have multiple REO properties on a single block. In targeted declining neighborhoods Atlanta will acquire and rehabilitate REO and then either re-sell to homeowners or make them available as rental properties.

- **Distressed**: Neighborhoods exhibiting significant blight, with declining populations and/or significant increases in the number of foreclosed properties, are categorized as distressed. Distressed neighborhoods also have little demand for properties, multiple REO properties on most blocks and numerous homes that are in a state of significant disrepair. In these communities, Atlanta plans to use acquisition, demolition and redevelopment and land banking to facilitate assemblage of parcels for redevelopment.

H. Walk-in programs

Walk-in programs allow qualified buyers to purchase foreclosed and abandoned properties in target neighborhoods. Once they find eligible properties, buyers "walk in" to the local government office to receive down-payment and closing-cost assistance, second mortgages or rehab financing. The jurisdiction has to ensure that these purchases still meet discount and other requirements for NSP.

Miami-Dade County, FL: While some foreclosed properties will be acquired and renovated by partners for resale to qualifying buyers, Miami-Dade County will also allow buyers to locate and purchase REO property directly from financial institutions. Units purchased must be within the identified target areas. Buyers must complete homebuyer training in order to receive NSP assistance. NSP funds will be used to make soft second mortgages.

Los Angeles, CA: Los Angeles will offer a walk-in homebuyer program under which households with incomes less than 120 percent of AMI will identify foreclosed single-family homes to purchase as their primary residences. All foreclosed properties acquired with NSP funds will be located within the identified target areas of greatest need and purchased at a minimum 5 percent discount from the appraised value. The city will provide mortgage assistance and rehabilitation loans to eligible homebuyers using NSP funds.

CHAPTER 6

PROMISING APPROACHES: GREEN BUILDING AND REHABILITATION STRATEGIES

HUD encouraged NSP grantees to use NSP funds to "strategically incorporate modern, green building and energy-efficiency improvements in all NSP activities to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods."[1]

There is no single universal definition of "green building." It may include energy efficiency, indoor air quality, water conservation, locating homes near employment or public transportation and/or not using health-endangering materials. Green and energy-efficient homes will lower energy and transportation costs and therefore contribute to the affordability of NSP units, helping to sustain homeownership over the long term. These homes may also help create neighborhoods of choice, which contributes to stabilization, as buyers are attracted to housing that is healthier, nearer to employment and more cost-effective to operate. However, green building strategies can add upfront costs to housing construction and rehabilitation, which may reduce overall production.

Promising Approaches

A. Making green building techniques a competitive factor in awarding NSP funds
B. Energy Star
C. Enterprise Green Communities criteria
D. Leadership in Energy and Environmental Design (LEED), National Association of Home Builders (NAHB) or a similar standard
E. Deconstruction

A. Making green building techniques a competitive factor in awarding NSP funds

Some NSP grantees simply list green-building or energy-efficiency improvements as an eligible use of funds. Other NSP grantees are choosing to distribute their NSP funds to local governments or other sub-grantees through a competitive request for proposals (RFP). Grantees that have chosen this method often assign points to RFP criteria, one of which may be the use of green-building standards.

Maryland: Maryland created an RFP with a 100-point scale but allowed applicants to earn up to five bonus points for incorporating significant green and energy-efficient approaches to rehabilitation, building construction and land development.

Pennsylvania: The state used a competitive RFP process to allocate its NSP funds. Use of green building components and techniques was a competitive factor in the scoring, worth 10 points.

1 "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008." Department of Housing and Urban Development. *Federal Register*. Vol. 73, No. 194. Monday, October 6, 2008, p. 58338.

B. Energy Star

Energy Star-rated appliances are those that have met government standards for energy efficiency. Requiring use of Energy Star-rated appliances such as refrigerators, furnaces, hot water heaters and air conditioners is a simple strategy to increase the energy efficiency of homes.

Louisville/Jefferson County, KY: In addition to requiring developers to bring properties into compliance with the Metro Property Maintenance Code, the NSP program will require certain green-building and energy-efficient features. Among other things, this includes requiring Energy Star-rated dishwashers, refrigerators, thermostats, furnaces and other appliances.

Orange County, FL: The county will require that all replacement appliances be Energy Star compliant. In addition, professional energy audits will be conducted on NSP-assisted units and recommendations for improving energy efficiency will be made. Recommended improvements may include caulking, weather stripping, duct sealing, insulation and ensuring proper operation of the HVAC system.

C. Enterprise Green Communities Criteria

The Enterprise **Green Communities Criteria** provide developers of affordable housing projects with a proven, cost-effective standard for creating healthy and energy-efficient homes. The criteria provide the first national framework for healthy, efficient, environmentally smart, affordable homes.

Atlanta, GA: Atlanta plans to incorporate the "Affordable Workforce Housing Green Building Policy" into NSP, which requires nonprofit developers applying for HOME funding for residential construction and renovation to utilize green-building practices. The green guidelines of the Enterprise Green Communities Criteria and the Earth Craft House Program will be used to measure green standards in each project.

Columbus, OH: In Columbus, all projects will use energy-efficient and green materials/products, and will meet or exceed Energy Star and Enterprise's Green Communities mandatory criteria for substantial rehabilitation. Buyers of homes that were substantially renovated with NSP funds will receive a guide (compact disc and/or printed) for homeowners and renters that explains the intent, benefits, use and maintenance of green-building features and encourages additional green activities such as recycling, gardening, using healthy cleaning materials and alternate measures for pest control and purchasing green power.

D. Leadership in Energy and Environmental Design (LEED), National Association of Homebuilders (NAHB) or a similar standard

The LEED green-building rating system provides a set of standards for environmentally sustainable construction. These include building siting and location, as well as materials used in construction, energy and water efficiency and air quality.

The NAHB Green Building Program defines what green practices can be incorporated into residential development and construction and describes how homeowners can operate and maintain their green homes. The program also allows homebuilders and homebuyers to make green choices based on climate and geography as well as style preferences and budget.

North Carolina: The state will give priority to proposals that utilize green-building components and techniques. The highest priority will be given to those proposals that assure construction activities will meet a national standard for green building, such as LEED or NAHB's Green Building

Program. Proposals that demonstrate use of energy-efficient design and materials will also be given priority.

Oronogo, MO: The city applied to receive an allocation of the State of Missouri's NSP funds. It plans to use the funds to acquire an existing mobile home park and replace the 20 aging deteriorated trailers with 30 units of new modular homes in a planned development. The plan is to use features that encourage residents to "go green," such as power meter monitoring for smarter use of electric appliances and outdoor vehicle charging stations to encourage alternative forms of transportation. Other features will include smart-home lighting, grey-water recycling and high-efficiency insulation to help minimize utility costs throughout the life of the homes. The new homes will also use spray foam insulation to ensure proper sealing of gaps in the walls and roofs and to create a thermal envelope with R values at 90 to 95 percent efficiency, which results in smaller mechanicals, saving electricity. All homes will be certified under the EPA's Energy Star program for modular homes.

E. Deconstruction

Deconstruction refers to strategies for reusing or recycling materials from units that are renovated or demolished. Not only does this strategy avoid placing excessive amounts of demolition materials in landfills, but it also provides opportunities to recycle parts of demolished or renovated homes, thus reducing materials costs for reconstruction.

Columbus, OH: Columbus will require waste and deconstruction management plans from sub-recipients. Prior to the start of renovation, sub-recipients will need to develop and implement a construction waste and deconstruction management plan to reduce the amount of material sent to the landfill and to increase recycle/reuse of materials where possible.

CHAPTER 7

PROMISING APPROACHES: INCOME TARGETING AND LONG-TERM AFFORDABILITY

According to the HERA statute, all housing units assisted with NSP funds must benefit households earning at or below 120 percent of AMI. In addition, a minimum of 25 percent of each jurisdiction's NSP allocation must be used to create housing for very low-income households, with incomes at or below 50 percent of AMI. NSP also requires that assisted homes and rental housing remain affordable, and to achieve this, HUD has accepted the HOME program rules for resale and recapture of subsidies as the minimum affordability standard.

It can be very challenging to create programs that are appropriate for the broad range of income groups targeted by NSP, while still meeting the ultimate goal of stabilizing neighborhoods. This is particularly true given some of the specific NSP regulatory requirements. For example, currently, HUD is strictly interpreting the NSP statute such that developments on vacant land or the redevelopment of vacant buildings cannot count toward the 25 percent very low-income requirement. This may prove problematic for NSP grantees that had planned to redevelop non-foreclosed upon properties. Also, only residents in permanent supportive housing can count toward the 25 percent very low-income requirement. NSP cannot count residents of homeless shelters and transitional housing toward meeting this requirement.

Promising Approaches

A. Construction or rehabilitation of rental housing, including with LIHTC
B. Rental to tenants residing in homes that are in foreclosure
C. Supportive housing
D. Section 8
E. Building on existing CDBG- and HOME-funded programs
F. Lease-purchase
G. Community land trusts
H. Soft second and shared equity mortgages

Of these approaches, the first five typically serve large percentages of very low-income households. In markets where housing costs are less expensive, and affordability gaps are smaller, homebuyer assistance programs routinely serve some very low-income households. To achieve long-term affordability, shared equity financing and land trusts are among the most innovative approaches identified in the plans.

A. Construction or rehabilitation of rental housing, including with LIHTC

Many NSP grantees have elected to use NSP funds to create rental housing opportunities, especially to meet the 25 percent low-income requirement. Rental housing may include the purchase, rehabilitation and rental of single- or multi-family homes, as well as the new construction of rental housing on cleared lots.

Florida: Florida divided its NSP allocation between what it calls the Regular State NSP Allocation and the Neighborhood Stabilization Program Low-Income (NSPLI) Supplemental

Allocation. NSPLI allocations were made to 26 NSP grantees according to the same formula as the NSP regular funds. However, the NSPLI funds must be used to provide rental housing to very low-income individuals and families. Florida determined that this would be the most affordable and feasible option available to the low-income target group in such a short time frame. Florida believes that segregating NSPLI target funds will increase their visibility and improve the state's ability to monitor use. Having a separate NSPLI allocation will also make it easier for Florida to recapture and reallocate these funds if they are not obligated or spent in a timely manner.

Rhode Island: Rhode Island will target 40 percent of its NSP funds to benefit very low-income households. The State anticipates that most of the projects will be rental. Most of the units will be produced through development financing, acquisition/ rehabilitation and land banking.

Hamilton County, OH: The county will use 25 percent of its NSP allocation to redevelop abandoned or foreclosed residential property. This set-aside of funds will be used with LIHTC and State of Ohio HOME funds in the redevelopment of the Valley Homes project in Lincoln Heights. NSP funds will be used for demolition of the vacant, abandoned and blighted buildings that are a part of the Valley Homes site, and also used for part of the new construction of 69 two-bedroom, single-family rental homes. About a third of the units will be occupied by households at 50 percent of AMI, and the remaining units will go to those earning at or below 60 percent AMI. As this is elderly housing, the units will be small with 20 percent fully ADA accessible. The budget for Villas of the Valley consists of:

- $8,538,464 in LIHTC equity
- $1,993,000 in NSP funds
- $576,000 in Ohio HDAP funds
- $554,000 in 1st mortgage financing
- $10,000 in deferred developer fee
- $311,140 in other gap financing; source to be determined

Cleveland, OH: The city will use NSP funds as gap financing for development of rental or lease-purchase housing that will serve households with incomes at or below 50 percent of AMI. A focus on scattered-site housing will help avoid concentrating very low-income families in neighborhoods. NSP funds will be loaned to developers with payment terms structured to assure long-term affordability. Payments of principal and interest may be deferred if necessary and loans may be subordinate to private financing.

Eligibility criteria will include:

- Projects must be for the rehabilitation of vacant structures or the redevelopment of vacant land.
- Projects must be for single-family lease-purchase units or for multi-family rental housing, including permanent supportive housing for persons with disabilities.
- Projects must have a LIHTC allocation and/or an acceptable project-based rental subsidy commitment.

B. Rental to tenants residing in homes that are in foreclosure

Renters are adversely affected by the foreclosure crisis when their landlords abandon properties as a result of foreclosure or over-indebtedness. If tenants cannot find another available unit at a rent they can afford, they may continue to live in the abandoned building. Depending on the physical state of the building, this can lead to dangerous and unhealthy living conditions. Therefore, NSP grantees can use NSP funds to acquire, rehabilitate and rent units to these same tenants.

New York City, NY: The city will target 25 percent of NSP funds towards acquisition and rehabilitation of foreclosed multi-family rental buildings in poor condition that house tenants earning up to 50 percent AMI. This strategy protects tenants in privately owned buildings that have been functionally abandoned by their owners, where conditions exist that are dangerous to the tenants' life, health and safety. In this program, a court appoints administrators to operate privately owned buildings that have been abandoned by their owners. Administrators are both nonprofit and for-profit entities that have been in operation for a minimum of three years and have a solid property management background.

C. Supportive housing

Creating housing for special needs populations is one of the surest ways for an NSP grantee to meet the 25 percent requirement, because income levels are typically far below 50 percent of AMI.

Tennessee: Rather than creating and administering separate programs, Tennessee opted to simply allocate 25 percent of its funding to the state's 11 Continuum of Care coalitions, which plan for and locally allocate federal homeless assistance funds. The NSP funds will combine with other homeless funds to create permanent supportive housing.

San Bernardino County, CA: The county government will partner with the Department of Behavioral Health (DBH) to create supportive housing for people with mental illness and their families. Through an initiative called the Mental Health Services Act (MHSA), DBH has been allocated $20.1 million from the State of California to create supportive housing. NSP funds will be used to purchase foreclosed and abandoned properties, and DBH will use MHSA funding to renovate or create new housing. Nonprofit entities will own and manage the housing, with long-term affordability covenants as required by the NSP program, and DBH will provide supportive services.

D. Section 8

HUD's Section 8 rental assistance voucher program can be used as a tenant-based or project-based rent subsidy or to subsidize a home purchase for very low-income homebuyers.

San Diego, CA: The city will create a lease-to-own program that will support the purchase and renovation of foreclosed abandoned properties. This program, which satisfies NSP's 25 percent low-income requirement, will be marketed to current Section 8 voucher holders. The San Diego Housing Commission (SHDC) or a community-based nonprofit organization will purchase single-family residences and SDHC will issue each tenant a project-based Section 8 voucher. Either SDHC or the nonprofit will hold the units in their portfolio until the tenant can purchase the unit or it is offered to another eligible family.

E. Building on existing CDBG- and HOME-funded programs

In their action plans, many states and counties designed NSP programs that build on existing CDBG- and HOME-funded programs. Adding to existing program rules and delivery capacity should result in faster start-ups. In addition, CDBG target areas automatically meet NSP income requirements for low-, moderate- and middle-income target areas, because the CDBG requirements are more restrictive (80 percent of AMI versus a maximum of 120 percent of AMI for NSP). Therefore, NSP target areas are likely to be smaller sub-sets of the CDBG target areas where there are concentrations of foreclosed and abandoned homes. All things being equal, using CDBG target areas as a starting point should increase the number of beneficiaries who meet NSP's 25 percent very low-income requirement. Finally, the CDBG and HOME dollars can augment NSP funding to create more impact on foreclosure-impacted areas.

Richmond, CA: The city plans to contract with the Contra Costa County Housing Equity Preservation Alliance (HEPA) to provide homebuyer training for all NSP financing recipients and may add other counseling agencies as this activity evolves. HEPA currently provides these services under the City of Richmond's CDBG program; the NSP funds will build on the CDBG-funded activity that already targets low-income households.

Louisville, KY: All NSP funds will be used exclusively in select distressed areas, and in fiscal year 2009, the city will direct certain CDBG and HOME funds to be used in these areas as well. Furthermore, programs that in recent years have been citywide (for example, down payment assistance) may be redirected to these strategy areas. It is the intent of the program to eliminate vacant and blighted structures in the strategy areas through demolition of unsalvageable properties, code enforcement and acquisition, and rehabilitation and re-sale of salvageable single-family properties to owner-occupants. Vacant multi-family properties will also be addressed as needed. Such strategic targeting will help to ensure that selected neighborhoods will receive the resources necessary to truly become stabilized.

F. Lease-purchase

Many NSP grantees anticipate that not enough homebuyers will have the cash and the credit to immediately purchase homes, particularly under the more stringent mortgage lending criteria now in effect. Lease-purchase programs allow potential buyers to occupy a property as tenants while they take the steps necessary to qualify for a conventional mortgage.

St. Louis County, MO: The county will partner with the St. Louis County Housing Authority, for-profit, and nonprofit developers to rehabilitate foreclosed homes to be rented to income-eligible partners or families. The county will provide loans to developers to acquire and rehabilitate properties in the targeted areas that they can either re-sell or rent. The homes can be either be rented or offered for lease-purchase. The lease-purchase component will require participants to complete housing counseling and encourage them to take ownership within three years.

G. Community land trusts

All homes assisted with NSP funds must be subject to long-term affordability controls. One way to achieve this is through the community land trust program model. Community land trusts have a bifurcated ownership structure in which the land trust owns the underlying land and the residents own or rent the structure. Land costs are typically subsidized down to a nominal amount, making the housing more affordable. Most community land trust homes are sold, rather than rented, to owner-occupants who pay a nominal lease fee for the land, and may or may not pay market value for the homes. In homeownership scenarios, the existence of the lease allows the community land trust to impose very strict controls on resale prices and income eligibility of future homebuyers when homes are resold. The theory behind community land trusts is that, in rising housing markets, a substantial part of the appreciation is due to an increase in land values. In most cases, community land trust requirements far exceed NSP requirements for long-term affordability. Most community land trusts aim for perpetual affordability, whereas NSP resale controls may be imposed only for defined periods of time.

Texas: The Texas State Affordable Housing Corporation will coordinate local and statewide land banking activities using NSP funds. The corporation will operate the program under its Affordable Communities of Texas (ACT) program, a statewide land trust that provides long-term affordability to low- and moderate-income households through the use of shared-equity agreements, limited-equity agreements, ground leases and other regulatory restrictions. The ACT program depends heavily on creating partnerships with local entities, including housing finance corporations, public housing agencies and nonprofit entities, in order to manage housing assets and identify qualified low-income households to purchase or lease housing assets. The program also partners with national and statewide banks, financial institutions and government entities to acquire foreclosed housing assets at significant discounts below the appraised market value.

H. Soft second and shared equity mortgages

Many publicly funded assistance programs for low- and moderate-income homebuyers require that subsidies for the construction or cash provided for purchase be recaptured upon resale, in part or in full. NSP requires that homes be sold with either recapture or resale provisions. The mechanism for requiring recapture (repayment) of the subsidy is typically called a “soft second” or “deferred payment” mortgage, because no interest is charged and all payments are deferred until resale. Shared equity mortgages go one step further and require the assisted homebuyer to pay back the original principal amount of the soft second mortgage plus a share of appreciation. For example, if government or nonprofit agency funds accounted for 20 percent of the financing, then 20 percent of the appreciation would be due back to the mortgage assistance program upon resale. While shared equity mortgages are not often used in weak housing markets, in hot real estate markets, this approach helps ensure that a given pool of housing subsidies keeps up with housing inflation to some extent, rather than getting a zero-dollar return on investment. Both soft second and shared equity mortgages naturally encourage private mortgage lenders to invest, because they improve the first mortgage lender’s loan-to-value ratio and therefore reduce risk.

Corona, CA: The city will not charge interest on second mortgages used to support home purchase, but rather, it will use a proportionate equity sharing agreement. If a completed unit is sold for $200,000 and there is a $25,000 soft second mortgage, which is 12.5 percent of the original purchase price, when the home is sold some years later, both the $25,000 and 12.5 percent of any equity appreciation will be recaptured by the city. Equity appreciation is defined as increase in value less capital improvements and costs of sale.

Miami, FL: Shared equity second mortgages will be used in Miami’s Down Payment Assistance Program. However, the equity sharing will apply only in the early years of the loan, because the loan will be forgiven over time. If a sale occurs within the first three years following purchase, the city will keep 100 percent of its pro-rated share of the gain. From three to 20 years, the city’s share of its pro-rated gain will decrease by 5 percent every year and the homeowner’s share will increase by 5 percent each year. At year 20, the entire amount of the city’s loan will be forgiven. Shared gain requirements terminate in the event of a foreclosure.

Phoenix, AZ: Since many of its units were relatively new, the city will offer subordinate mortgages to help first-time homebuyers purchase and occupy foreclosed or abandoned single-family homes that require no rehabilitation in order to meet lender requirements or city housing standards. The target population for this program is FHA-creditworthy, first-time borrowers with incomes at or below 120 percent AMI. The city will also help homebuyers purchase and rehab single-family homes. The program will offer subordinated financing, modeled in some fashion after the FHA 203(k) program.

CHAPTER 8

PROMISING APPROACHES: LEVERAGING NSP FUNDS

NSP allows NSP grantees to create financing mechanisms to support neighborhood stabilization. Specifically, the statute authorizes "[e]stablish[ing] financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income"[1] The original notice issued by HUD included language restricting program income. This language created considerable anxiety among local programs regarding whether financing mechanisms that leveraged other sources of funding would be workable. However, ARRA simplified the program income for NSP by placing it under normal CDBG guidelines. (This change was made after we reviewed the action plans.)

Leveraging can greatly expand NSP's impact and accelerate the pace at which NSP grantees can put NSP funds into properties, but it is not appropriate for all programs. Leveraging is most helpful when it is sized in proportion to a program's capacity to rehabilitate and dispose of properties. Insufficient leveraging limits the positive impact and excessive leveraging wastes NSP funds on unnecessary costs. When private market funds are leveraged, the value of the more efficient use of funds must be weighed against the amount of funds that will be lost to fees and interest rate payments.

HUD stipulates that NSP funds must be committed to a specific project within 18 months, a significant burden for a leveraged program because of the complexity of combining subsidy streams. How HUD will apply the 18-month commitment requirement to leveraged funds is not clear at this point. HUD has provided some **guidance** on the issue and Enterprise, along with partner organizations, is asking for greater clarity on this point.

Promising Approaches

A. Revolving loan fund
B. Second mortgages
C. Low-Income Housing Tax Credit (LIHTC)
D. Mortgage loan loss reserves
E. Developer gap financing
F. Community Development Block Grants (CDBG) and the HOME Investment Partnership Program

A. Revolving loan fund

Revolving loan funds are pools of public and private funds available to finance NSP-related activities, usually acquisition and/or rehabilitation of vacant or abandoned properties. Public funds enhance credit, inducing private funds to participate by reducing costs. The leverage created by drawing private funds into a revolving loan fund allows fewer NSP dollars to be spent per unit. This allows more properties to be funded at a given time, accelerating the pace with which NSP dollars impact targeted communities. Revolving loan fund programs also provide a reliable and standardized source of acquisition and rehabilitation financing, reducing program participants' exposure to fluctuations in the financial markets.

1 Housing and Economic Recovery Act of 2008. P.L. 110-289. Section 2301(c)(3)(A).

One possible danger of this expanded acquisition ability is that a glut of properties will be acquired without either the ability to rehabilitate them or a strong mechanism for their disposition. Good revolving loan fund programs contain covenants limiting the number of properties that can be acquired and held at a given time to guard against the danger of a buildup of inventory.

New York City, NY: A revolving loan fund will be established to support NSP acquisition and rehabilitation. Both city and NSP money will be placed in a reserve for the revolving loan fund to provide a credit enhancement in order to attract private capital. This reserve is in addition to money that the city will place into the fund to cover anticipated gaps between cost and resale price. The revolving loan fund will act as financing for a "flow program" that acquires and sells individual properties over time. The city's Housing Preservation and Development Department and private lenders involved in the revolving loan fund will establish "a series of ratios to ensure that the credit facility remains 'in balance,' with the combined value of anticipated release prices of properties and reserve funds to be in excess of current and anticipated costs to rehabilitate and sell the properties held in the portfolio. As private lenders are repaid through sales proceeds, loan loss reserves needed to maintain the facility could decrease."[2]

NYC RLF Preliminary Structure	
NSP Funds	$18,193,305
City Funds	$6,000,000
Private Funds	$30,740,814
Total Funds	$54,934,119
Reserves (less)	$(9,796,000)
Available Funds	**$45,138,119**

B. Second mortgages

Second mortgages are made to borrowers to cover down payments, closing costs or other requirements necessary to qualify potential homeowners for mortgage financing. The terms of second mortgages vary, though most charge no interest and are forgiven over time subject to HOME guidelines. Since localities often already administer second mortgage programs, the addition of a new second mortgage product funded by NSP dollars requires little extra administration costs and can be deployed quickly, thus rapidly stimulating demand in troubled markets. Some NSP programs target the availability of NSP second mortgages to specific neighborhoods, while others limit them to properties that have been acquired and rehabilitated through the NSP program in order to help ensure the quick disposition of properties acquired through the REO program.

Prince George's County, MD will create and operate the Down Payment Closing Cost Assistance Program. The program will offer soft second mortgages to homebuyers that will cover up to $20,000 or 7 percent of the value of the property, whichever is less. The availability of this product is restricted to areas targeted in Prince George's action plan and to what Prince George's

2 "The City of New York 2008 Consolidated Plan Substantial Amendment Addendum – Neighborhood Stabilization Program." P. 13. Available at: http://www.nyc.gov/html/hpd/downloads/pdf/NSP-ConPlan-Amendment-PubComm.pdf

County defines as "workforce housing."[3] A minimum cash contribution will be required at closing. The amount required will be determined on a sliding scale based on the income of the homebuyer. The loan has a 0 percent interest rate and is forgiven over 10 years. No payments are due unless the homebuyer moves from the property, in which case the remaining balance is due. The maximum combined Loan to Value (LTV) for the second mortgage is 105 percent.

Louisiana: Soft second mortgages will be offered to cover the closing costs and down payments for qualified properties. The amount made available to each purchaser will be based on the gap between what is necessary to qualify for a responsible first mortgage and what the buyer can afford, with a cap of 20 percent of the value of the property. The loan has a 0 percent interest rate and repayment is deferred until the title is transferred or the first mortgage is refinanced. The maximum combined LTV for the second mortgage is 105 percent.

C. Low-Income Housing Tax Credit (LIHTC)

Tax credits are already a tool to leverage public dollars to attract private dollars to finance affordable housing. Many NSP grantees are looking to put NSP funds into LIHTC projects in order to increase the ability of these projects to attract private dollars and move forward. The recent dramatic decline of the tax credit market has stalled many LIHTC projects, and NSP is one source of subsidy to fill the financing gaps. Many NSP grantees that want to use NSP for this purpose also desire to have this use of NSP dollars count toward the very low-income requirement in NSP. Currently, there are doubts as to whether HUD will allow new construction to count toward this goal, making it difficult to fund LIHTC projects with NSP.

Detroit, MI is considering using NSP dollars to close financing gaps that have stalled a number of LIHTC projects as a result of the decline of the tax credit market. The city will look for ready-to-go LIHTC projects in order to have the most immediate impact. They are considering new construction projects as well as rehabilitation of existing properties.

D. Mortgage loan loss reserves

NSP funds are used to credit enhance a mortgage pool by forming a pool of funds that take a first loss or similar elevated-risk position on a group of mortgages. This reduces the risk faced by mortgage lenders and can be used to induce them to lend to potential homebuyers that they would otherwise be unwilling to lend to at sustainable terms. Mortgage lending standards have tightened significantly recently, heightening the need for this tool to expand responsible mortgage financing availability for low-income individuals and families.

Chicago, IL: Chicago's plan creates a mortgage loan credit enhancement to secure mortgage financing and quickly fill vacant properties. Chicago may model its NSP enhancement after an existing program, the Neighborhood Lending Program, which uses $4 million in CDBG funds to enhance a mortgage pool of $30 million. This tool is still in development and may take the form of a loan loss reserve or other credit enhancement.

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3 "Workforce housing is defined as homes purchased by teachers, police officers, nurses, firefighters, and employees working within a 3 mile radius of place of employment." Neighborhood Stabilization Program (NSP) Substantial Amendment to Annual Action Plan. Prince George's County, Maryland. P. 31. Available at: http://www.co.pg.md.us/Government/AgencyIndex/HCD/PDF/Final%20NSP%20Substantial%20Amendment.pdf

Atlanta, GA: Atlanta is exploring how to use NSP funds to enable the local or state housing finance agencies (Urban Residential Finance Authority or Georgia Department of Community Affairs) to issue single family mortgage revenue bonds that would be attractive and appropriate to potential homebuyers whose incomes are equal to or less than 120 percent of AMI.

E. Developer gap financing

Such financing can take the form of grants, loans or other financial support for developers or rehabilitators to enable them to participate in NSP activities with funding from private sources. Financing rehabilitation is a common use of gap financing because developers often have a harder time finding private financing for rehabilitation. Several action plans that describe developer financing offer it through an RFP process where gaps are shown in proposals and filled with NSP funds, allowing the project to secure private financing. The RFP process is well suited to identify the types of gap financing needed, as the need is often specific to the project.

Newark, NJ: Newark will offer subsidized gap financing to nonprofit developers through a Request for Proposal (RFP) process. This financing may support predevelopment, acquisition, construction and permanent financing. The action plan states that the preference in the RFP process will be for those projects that are ready to go and have the highest likelihood of recycling program income.

Sacramento City and County, CA: Sacramento is offering two programs that provide gap financing. The first is the Vacant Properties Program, which provides an incentive fee to developers and contractors after a vacant property is rehabilitated. The second program is called the Block Acquisition Rehabilitation program and aims to partner with for-profit developers to acquire a large number of properties within one block, rehab them and then operate them as affordable rental properties. Only developers that are able to acquire at least 50 percent of the targeted properties in the block will be eligible to participate in the program. For-profit developers that are selected through the program will be given subsidized financing to make these projects financially feasible.

F. Community Development Block Grants (CDBG) and the HOME Investment Partnership Program

In addition to NSP, several other federal programs fund community development activities in states, counties and cities. CDBG and HOME are two important sources of federal funds that, when combined with NSP, can increase the impact of neighborhood stabilization efforts. Several NSP grantees specifically mentioned combining NSP funds with CDBG and HOME to better leverage the resources of all three programs.

Louisville/Jefferson County, KY: Louisville/Jefferson County is prepared to respond to the challenges of neighborhood stabilization in a holistic manner. To that end, NSP funds will be used in tandem with other HUD-allocated entitlement funds, most notably HOME and CDBG.

CHAPTER 9

PROMISING APPROACHES: PARTNERSHIPS AND MANAGEMENT

The NSP program regulations permit grantees to form cooperative agreements to apply for NSP funds (such as a county applying jointly with a metro area). A jurisdiction may also apply for its entire grant and then enter into a sub-recipient agreement with another jurisdiction or nonprofit entity to administer the funding.

NSP grantees must obligate their funds within 18 months of receiving the funds from HUD. Therefore, grantees with large allocations will have to work closely with local entities to meet this deadline. For smaller grantees, signing a joint agreement with an entity that has a larger allocation, such as a county or large city, may provide the expertise or staffing needed to carry out the NSP-funded activities. While HUD does not specifically require that NSP grantees enter into partnerships, most NSP grantees seem to understand that successful neighborhood stabilization will require partnering with local governments, nonprofits, for-profits, housing authorities and other entities to implement a comprehensive strategy.

Promising Approaches

A. Designating a single sub-grantee
B. NSP grantees joining together to achieve greater leverage
C. National Community Stabilization Trust (NCST)
D. Creating a property holding company
E. Sharing the administration allowance with sub grantees
F. Encouraging local partnerships
G. Subcontracting NSP program management
H. Housing development and asset management
I. Subcontracting housing counseling

A. Designating a single sub-grantee

Some NSP grantees decided to delegate all or most of the program management responsibility to a single sub-grantee. Such a decision frees the jurisdiction from day-to-day program management responsibilities. The sub-grantee can then concentrate all of its resources and attention on this single program, which the jurisdiction may not be able to do.

Chicago, IL: The city will contract with Mercy Portfolio Services (MPS), a subsidiary of Mercy Housing Inc., to administer its NSP funding. Sub-grantee responsibilities will include: negotiating with banks for the discounted purchase of vacant foreclosed properties, holding and maintaining properties on a short-term basis and working with a broad network of community development partners to dispose of properties. Disposition options will include homeownership, lease-purchase, rental and demolition.

Philadelphia, PA: Philadelphia plans to contract with the Philadelphia Redevelopment Authority to run the acquisition rehabilitation program, which will receive all of the city's NSP funds. The Redevelopment Authority will subcontract with developers who work on properties acquired by the Redevelopment Authority. It is not clear from the description whether the Redevelopment Authority will hold title through the rehabilitation process, or if the title will be transferred to the developer when rehabilitation starts or a mixture of both. It is also unclear how the 10 percent of the city's NSP funds designated for administration will be divided between the Office of Housing and Community Development and the Redevelopment Authority.

B. NSP grantees joining together to achieve greater leverage

Some NSP grantees decided that it would be more efficient to contract with other NSP grantees, either state or local government, to administer their programs.

Colorado/Colorado Springs: The Colorado Department of Housing and the City of Colorado Springs entered into a joint agreement for the operation of NSP for Colorado Springs. Under this agreement, Colorado Springs awarded its allocation of $3,904,989 NSP funds to the housing department, which will assume responsibility for all operations of NSP within Colorado Springs' jurisdiction.

San Bernardino, CA: The city plans to work jointly with other NSP grantees to collaborate on paying for homebuyer education courses, negotiating bulk sales of REOs from financial institutions and contracting with builder/developer intermediaries.

C. National Community Stabilization Trust (NCST)

The NCST was formed to facilitate the efficient and cost-effective transfer of large numbers of real estate owned (REO) properties from financial institutions nationwide to local housing organizations. REO properties may be owned by lenders, loan servicers or investors.

New York City, NY: To acquire REO properties, the city will work through the nonprofit Restore Homes. Restore Homes and NCST will create standardized transaction formats and portfolio valuation and pricing models, operating on the principal that, in exchange for transactional efficiencies and certainty of sale, servicers will transfer properties at their best-offered prices.

D. Creating a property holding company

Acquiring vacant and foreclosed homes in marginal neighborhoods is a risky business venture. Creating a property holding company allows NSP grantees to avoid having properties on their books.

Los Angeles, CA: The city is working with Enterprise to establish a property holding company. The holding company will be a 501(c)(3) nonprofit. The city will contract with the holding company as a CDBG sub-recipient to carry out the bulk purchase of foreclosed properties at a discount from lenders and loan servicers. Working with NCST, the holding company will be able to acquire clusters of foreclosed properties at discounted prices, consistent with HUD's NSP guidelines.

E. Sharing the administration allowance with sub-grantees

NSP allows grantees to use of up to 10 percent of their allocations, as well as 10 percent of program income, for administration. Some grantees have elected to retain all of the administration funds, while others will pass some portion on to their sub-grantees or sub-recipients.

Oregon: The state will retain 2 percent of the administration set-aside to cover its own administrative costs related to NSP and will share the remaining 8 percent with the local entitlement localities to which it sub-grants NSP funds.

Florida: Rather than passing administrative funds through to sub-grantees, the state will retain the funds for administrative costs, while also allocating a portion to statewide training and technical assistance. The state will provide on- and off-site technical assistance and workshops to help sub-grantees plan, manage or carry out NSP-funded activities.

Technical assistance will involve training in all aspects of purchasing, rehabilitating and selling or renting foreclosed or abandoned properties. This may include methods for identifying properties and strategies for working with lenders, evaluating properties for acquisition once they are identified, negotiating the purchase price for individual or bulk purchases of units, coordinating NSP funds with other sources and permanent financing, and establishing and maintaining a land bank.

F. Encouraging local partnerships

Some localities made formation of local partnerships a competitive factor in applying for NSP funds. Local partnerships ensure a greater concentration of resources and expertise that can increase the likelihood a housing intervention will be successful.

Texas: The state used an RFP process to allocate its funds. In the scoring process, it awarded up to 10 points to applicants demonstrating effective cooperation in addressing needs. It asked applicants to provide evidence of communication and planning with other entities, in the area to be served, that would result in efficient management of NSP funds.

Maryland: In the RFP for NSP funds to sub-grantees, the state will award up to 25 points for what it calls "partnerships, leverage & coordination." This appears to be primarily a leveraging requirement, as this section is broken down into "financial commitment of applicant" (10 points), "financial commitment of partners" (10 points) and "leveraging of other funds" (5 points).

G. Subcontracting program management

Program management includes oversight of the NSP program, ensuring compliance with HUD regulations, adherence to the strategy for the program and managing contracts with sub-recipients.

Florida: The state opted to sub-grant a portion of its NSP funds to 26 cities and counties, which will be responsible for working with local partners, such as nonprofit or for-profit developers, in order to accomplish their housing goals. It will use the Florida Small Cities CDBG Program monitoring policies and procedures to ensure compliance with HUD NSP guidelines. To encourage prompt use of NSP funds (and compliance with the statutory deadlines), Florida will recapture funds at 10 months and 15 months, redistributing funds to sub-grantees that have demonstrated ability to utilize them.

H. Housing development and asset management

Many NSP grantees are granting NSP funds to sub-recipients to acquire, renovate, resell, rent, manage or redevelop foreclosed housing.

Toledo, OH: The city is leveraging its NSP dollars by providing gap financing to developers (both nonprofit and for-profit) in the form of soft second mortgages to cover 20 percent down payments. The development agreement will specify properties to be assisted and financing arrangements. The city will pay a development subsidy fee to cover total project costs (acquisition, construction, developer fee, insurance and other soft costs) that exceed the after-rehab appraisal performed prior to entering into the development agreement. (This process is similar to the process currently employed in the city's CHDO Grant Program.)

Miami-Dade County, FL: To deal with foreclosed and abandoned multi-family rental housing, the county will purchase properties and add them to its existing affordable rental housing inventory. The county will subcontract management and maintenance to companies currently providing the same services for other county-owned rental properties. The county may also select for-profit and nonprofit housing developers or partner with entitlement cities to acquire, rehabilitate and manage multi-family rental housing.

Ontario, CA: In its NSP, Ontario set aside funding for a partnership between the Ontario Public Housing Authority (OHPA) and Mercy Housing to create supportive housing for homeless people with disabilities. The need for this type of housing had already been identified under Ontario's Continuum of Care. The OHPA will own multi-family housing developed with NSP funds, but lease the property to a nonprofit for $1/year.

I. Subcontracting housing counseling

NSP requires that NSP-assisted homebuyers complete eight hours of homeownership counseling. In order to ensure this takes place, some NSP grantees set aside funds in their action plan budgets and are contracting with local HUD-approved counseling agencies to provide this service.

Prince George's County, MD: The county's Department of Housing and Community Development (DHCD) Housing Development Division will work with local housing counseling agencies, the Homeownership Center and the Rental Housing Division to identify a pool of buyers for each home. Rehabilitated homes will be sold on a first-come, first-served basis. Purchasers may use NSP down-payment and closing-cost assistance. The county will use 3 percent of its NSP funds to pay for mandated counseling. The housing counseling will be provided through contracts with six HUD-certified housing counseling agencies. This training will be conducted in group sessions or one-on-one counseling and must be completed prior to full loan approval. To meet a minimum of 675 homebuyers, at least 1,000 households will be counseled at a cost of $35.00 per hour at eight hours per household.

Clark County, NV: The county will contract with qualified HUD-certified housing counseling agencies using an RFQ process. Clark County estimates that approximately 10 people or households will need to be counseled to qualify one eligible homebuyer at 120 percent AMI. Any homebuyers planning on participating in NSP homeownership programs must complete at least eight hours of counseling.

CHAPTER 10

CONCLUSION AND RECOMMENDATIONS

Research Recommendations

The research outlined in this paper provides a preliminary understanding of NSP—one of the few new HUD programs to be created in the past decade. At the moment, NSP is designed to be a short-term program intended to address the foreclosure crisis. Whether NSP retains its three-year time-line or is extended, the billions of dollars allocated to this program warrant significant research and analysis of its federal regulations, local programs and results. Therefore, our hope is that this research will prove to be practical and useful for both program and policy practitioners, because it provides a preliminary understanding of the NSP program in the aggregate, and it recognizes "promising approaches" in meeting the challenges of foreclosure disposition. Over time, detailed case studies are needed so we can learn whether our "promising" approaches did indeed develop into "best practices."

It is vitally important that researchers continue to investigate NSP and share their findings with localities so that they can build better local programs. Policy makers need accurate statistics on how many units will be affected with NSP, how much private capital will be leveraged and whether this program is having the desired impact. Such research will require utilizing HUD datasets and conducting more meticulous local research to ensure that program implementation accurately reflects action plans.

Policy Recommendations

The foreclosure crisis is far from over, and NSP exists in the larger context of an economy in recession, with mounting foreclosures due to job losses compounded by housing market problems. The Obama administration recently released the details of its "Making Home Affordable" plan, which aims to help 7 to 9 million families restructure or refinance their mortgages to avoid foreclosure. This is an important initiative and builds upon previous federal efforts to modify troubled mortgages (examples include the Hope for Homeowners Program and the HOPE NOW Alliance). Helping families avoid foreclosures in the first place is critical, and all efforts to bring mortgages to affordable levels must be pursued.

To complement these efforts, NSP must be used to ensure that a floor to the housing market is quickly established, allowing communities and families to be stabilized. One promising policy solution would be to expand the safe harbors offered to servicers for loan modifications under the "Making Home Affordable" plan so that they also apply to the discounted sales of foreclosed-upon properties under NSP. This would protect servicers from investor lawsuits so that they could confidently and safely cooperate with NSP grantees. Such a policy would ease the acquisition of foreclosed and abandoned properties for the hundreds of NSP grantees around the country.

Our research brings to light three major tensions inherent in the design and rollout of NSP. First, the timeframe of NSP created a tension between the need to write a good plan, and the need to submit it to HUD in a timely fashion. As a result, some plans no doubt contained less detail and innovation than the locality would have included with more time. Second, the 18-month commitment period may have created an issue for leveraging and creative financing mechanisms. NSP grantees worried about the need to identify all properties in 18 months may be less likely to leverage outside funds. Third, a tension appeared to exist between the need to target NSP funds and local political realities.

On the one hand, targeting a neighborhood marks it as "troubled," an unwelcome designation. On the other hand, money accompanies targeting, which may make it well received. In either case, local politics invariably come into play, meaning targeting cannot be a purely scientific process.

Acknowledging these tensions, NSP will only be as effective as its regulations allow it to be, meaning the regulations for this program must be clear, practical and user-friendly. To that end, Enterprise and its partners have been working closely with HUD and members of Congress to ensure that necessary regulatory and statutory changes are made. For a list of proposed regulatory and statutory changes to the NSP notice, please visit the public policy section of the Enterprise website at **http://www.enterprisecommunity.org.** Local and national policy and program professionals should also continue to scrutinize the NSP regulations and investigate local implementation in order to ensure that the regulations complement and enhance the work done on the ground.

NSP already received a second allocation of funding through the American Recovery and Reinvestment Act of 2009, and it could potentially receive more in the future. Congress designed this program to address an immediate crisis, much like disaster funding. To that end, there are certainly communities whose underlying economic bases are strong and will recover quickly from predatory lending and overbuilding.

However, in other communities, long-term decline in population and economic base was only exacerbated by predatory lending. In these places, foreclosures are merely a symptom of a longer-term problem and their impact on declining neighborhoods could last decades. Therefore, researchers and policy makers should closely monitor NSP and the national economic situation in order to determine whether NSP warrants additional allocations to assist localities struggling with vacancies caused by long-term population loss and economic disinvestment. Policy makers will have to evaluate whether long-term NSP funding is the most helpful federal response for cities struggling with vacancy and abandonment caused by economic decline or whether other types of funding would be more effective.

Our initial conclusion is that many NSP grantees are planning to use NSP for innovative and effective programs and that NSP has a good chance of having the desired effect of stabilizing communities across America. While it will be many years before anyone is able to definitively measure the success of NSP, it is a great first step to slow the decline of America's neighborhoods as a result of the foreclosure crisis.

APPENDIX A

METHODOLOGY

We analyzed select action plans using both qualitative and quantitative metrics. The quantitative metrics include such variables as the number of homes being purchased and rehabilitated, dollars spent on administration costs, and use of a green building standard. (Appendix C gives the full list of quantitative variables.) We entered these quantitative variables in a spreadsheet template, allowing us to run statistical analyses to reveal how NSP grantees will attempt to achieve neighborhood stabilization.

We developed the quantitative variable list after closely reading the HUD NSP Notice and several action plans. We intended to collect data on the five eligible uses listed above, as well as on programmatic elements, such as homeownership, rental, and lease-purchase. In addition, a number of NSP requirements unique to this program have been problematic for some NSP grantees, such as the discount acquisition requirement and the 25 percent low-income set-aside. Therefore, we selected variables that describe these activities to enhance our knowledge of how NSP grantees are dealing with the requirements. Last, we identified and collected information on promising approaches, such as leveraging and green building, that we feel will maximize NSP outcomes and create healthier and more vibrant neighborhoods.

From the data collected, we conducted the statistical analyses that are described in Chapter 2. Such information predicts how NSP funds will be used around the country. Note that we did not employ random sampling in the selection of the plans. (Refer to the "Selection of NSP grantees" section below for more details on our selection methodology.) By analyzing 58 percent of the dollar allocation, we are confident that our results are reasonably representative of the true NSP program distribution. We were able to enhance the accuracy of some of our data by combining our statistics (based on 87 NSP grantees) with the NSP statistics compiled by HUD (based on over 300 NSP grantees). We feel our data complements HUD's data well because they read more plans, but recorded less detail, while we read fewer plans, but recorded more detail.

We designed our qualitative methodology to collect narrative information on NSP programs, with the goal of identifying promising and innovative practices. To that end, we developed short summaries on program elements such as acquisition strategy, geographic targeting and leveraging. A comparison of these descriptions reveals innovative and promising approaches, as described in Chapters 3 through 9. Our selection criteria for what constituted a promising approach were subjective because, as a new federal program, there are no prior definitive best practices. Therefore, we chose to highlight program practices that were the most innovative and promising, meaning practices that we feel have the best promise to achieve true neighborhood stabilization. (Refer to the "Selection of 'promising approaches' categories" section below for more details.)

For each "promising approach" category, we listed the relevant aspects of the NSP statute or notice. We then briefly outlined some of the major challenges and policy considerations that relate to the promising approaches. Note that, for the sake of brevity, we limited our discussion to only those challenges and policy considerations that are particularly relevant to the category.

Selection of NSP grantees

We did not use a random sampling method to select NSP grantees. Rather, we divided the 306 NSP grantees into three tiers. The first tier consisted of 28 NSP grantees where we, Enterprise, have a presence. This included states, cities and counties in California, Colorado, Georgia, Louisiana, Maryland, Mississippi, New Jersey, New York, Ohio, Texas, and Washington, D.C. We read all plans from this first tier.

We then developed a second tier that consisted of over 50 NSP grantees from around the country that received large allocations, are facing unique foreclosure-related situations (e.g., Detroit and Miami) or are major cities (e.g., Boston and Chicago). We expected these to have innovative plans due to high local government capacity and/or a history of innovation. Note that our criteria for this second tier were very subjective. We read nearly all of these plans.

The remaining action plans were placed into the third tier. Most plans in this tier are for small and medium cities and states that did not receive large allocations. We did not analyze the vast majority of plans in this tier. However, about a dozen third-tier plans were reviewed because of their strategic importance to Enterprise or NeighborWorks America, a partner on this project.

We analyzed 28 percent of plans (87 of 306), but 58 percent of the total NSP allocation. Given that our selection methodology clearly favored large allocations, we have identified a number of potential issues with our data. Further details regarding potential data issues are outlined in the "Data and Limitations" section of Chapter 2.

Selection of "promising approaches" categories

We classified promising approaches as those that are innovative and/or likely to be high-success or high-impact—any tool, practice, strategy or mechanism that is likely to expand or improve the impact of NSP funds. Given that NSP funds have only recently been distributed, we recognized that the approaches we identified were "promising" rather than best practices. We believe that there is a good possibility researchers will identify these "promising approaches" as best practices when they analyze the impact of NSP in a couple of years.

We selected the following categories as promising approaches:

- Acquisition and discount strategies
- Disposition strategies
- Geographic targeting
- Green building and rehabilitation strategies
- Income targeting and long-term affordability
- Leveraging NSP funds
- Partnerships and management

We chose these specific categories for four reasons. First, we feel that they are most critical to achieving neighborhood stabilization through NSP. Second, our selection of categories was influenced by our own decades of experience in affordable housing. Enterprise is a leading provider of expertise and development capital for building decent, affordable homes and therefore we know the importance of leveraging funds and establishing effective partnerships. Third, we chose categories for which we discovered innovative practices in the plans. For example, plans discussed several diverse ways to encourage or require green building, thus providing us with enough information from which we could create a category. Fourth, and last, we selected categories that relate to program requirements as outlined in the NSP statute and notice. The statute requires NSP grantees to identify "areas of greatest need," so we describe the many ways in which NSP grantees met this requirement.

No doubt other categories, beyond those that we chose, also contain promising approaches. However, we are confident that our list of categories is comprehensive enough to meet our main purpose: to inform state and local governments of the good NSP ideas developed by their peer localities. If we are going to avoid reinventing the wheel in each community, this type of knowledge sharing is critical.

APPENDIX B

LIST OF NSP GRANTEES ANALYZED

Grantee	Allocation	Local Foreclosure Rate*	Statewide Foreclosure Rate*
Arizona			
Phoenix	$39,478,096	7.1%	5.6%
California			
California	$145,071,506	5.4%	6.7%
Corona	$3,602,842	7.4%	6.7%
Los Angeles	$32,860,870	6.8%	6.7%
Los Angeles County	$16,847,672	5.6%	6.7%
Moreno Valley	$11,390,116	11.2%	6.7%
Oakland	$8,250,668	8.1%	6.7%
Ontario	$2,738,309	9.3%	6.7%
Pomona	$3,530,825	8.2%	6.7%
Richmond	$3,346,105	9.1%	6.7%
Riverside County	$6,581,916	9.2%	6.7%
Sacramento	$13,264,829	8.9%	6.7%
Sacramento County	$18,605,460	7.3%	6.7%
San Bernardino	$8,408,558	11.8%	6.7%
San Bernardino County	$22,758,188	9.6%	6.7%
San Diego	$9,442,370	5.0%	6.7%
San Diego County	$5,144,152	5.2%	6.7%
San Jose	$5,628,283	4.0%	6.7%
Colorado			
Colorado	$34,013,566	3.9%	4.7%
Denver	$6,060,170	5.5%	4.7%
Florida			
Florida	$91,141,478	6.5%	8.0%
Jacksonville-Duval	$26,175,317	6.9%	8.0%
Miami	$12,063,702	9.4%	8.0%
Miami-Dade County	$62,207,200	8.8%	8.0%
Orange County	$27,901,773	7.3%	8.0%
Palm Beach County	$27,700,340	7.6%	8.0%
Pasco County	$19,495,805	8.4%	8.0%
Tampa	$13,600,915	8.7%	8.0%
Georgia			
Georgia	$77,085,125	5.1%	5.2%
Atlanta	$12,316,082	5.6%	5.2%
DeKalb County	$18,545,013	6.4%	5.2%
Fulton County	$10,333,410	5.4%	5.2%
Gwinnett County	$10,507,827	4.6%	5.2%

Grantee	Allocation	Local Foreclosure Rate*	Statewide Foreclosure Rate*
Illinois			
Chicago	$55,238,017	6.4%	5.1%
Cook County	$28,156,321	5.9%	5.1%
Indiana			
Indiana	$83,757,048	6.2%	6.7%
Indianapolis	$29,051,059	8.1%	6.7%
Kentucky			
Louisville	$6,973,721	4.2%	4.5%
Louisiana			
Louisiana	$34,183,994	3.9%	3.9%
Maryland			
Maryland	$26,704,504	2.5%	3.3%
Baltimore	$4,112,239	5.6%	3.3%
Baltimore County	$2,596,880	3.3%	3.3%
Montgomery County	$2,073,965	2.1%	3.3%
Prince George's County	$10,883,234	5.7%	3.3%
Massachusetts			
Boston	$4,230,191	4.6%	4.2%
Michigan			
Michigan	$98,653,915	5.8%	7.1%
Detroit	$47,137,690	16.0%	7.1%
Genesee County	$7,506,343	7.6%	7.1%
Minnesota			
Minneapolis	$5,601,967	5.9%	4.8%
St. Paul	$4,302,249	6.7%	4.8%
Mississippi			
Mississippi	$43,151,914	5.1%	5.2%
Missouri			
Missouri	$42,664,187	3.8%	4.0%
St. Louis County	$9,338,562	3.7%	4.0%
Nevada			
Nevada	$24,287,240	6.2%	8.6%
Clark County	$22,829,062	9.1%	8.6%
Henderson	$3,205,044	7.1%	8.6%
Las Vegas	$14,775,270	9.6%	8.6%
North Las Vegas	$6,837,736	11.0%	8.6%
New Jersey			
New Jersey	$51,470,620	3.8%	4.0%
Newark	$3,406,849	10.6%	4.0%

Grantee	Allocation	Local Foreclosure Rate*	Statewide Foreclosure Rate*
New York			
New York	$54,556,464	3.2%	3.6%
Nassau County	$7,767,916	3.8%	3.6%
New York City	$24,257,740	3.8%	3.6%
Suffolk County	$5,681,443	3.7%	3.6%
North Carolina			
North Carolina	$52,303,004	3.3%	3.3%
Ohio			
Ohio	$116,859,223	6.3%	6.7%
Akron	$8,583,492	10.3%	6.7%
Cincinnati	$8,361,592	7.1%	6.7%
Cleveland	$16,143,120	12.7%	6.7%
Columbus	$22,845,495	6.9%	6.7%
Dayton	$5,582,902	12.1%	6.7%
Franklin County	$5,439,664	4.1%	6.7%
Hamilton County	$7,970,490	5.8%	6.7%
Stark County	$4,181,673	6.3%	6.7%
Toledo	$12,270,706	10.5%	6.7%
Youngstown	$2,708,206	14.7%	6.7%
Oregon			
Oregon	$19,600,000	2.2%	2.2%
Pennsylvania			
Pennsylvania	$59,631,318	3.0%	3.4%
Philadelphia	$16,832,873	5.7%	3.4%
Rhode Island			
Rhode Island	$19,600,000	6.0%	6.0%
South Carolina			
South Carolina	$44,673,692	4.2%	4.1%
Tennessee			
Tennessee	$49,360,421	4.0%	4.1%
Memphis	$11,506,415	6.7%	4.1%
Texas			
Texas	$101,996,848	3.2%	3.7%
Dallas	$7,932,555	3.7%	3.7%
Washington			
Washington	$28,159,293	2.2%	2.2%
Washington D.C.			
Washington D.C.	$2,836,384	3.0%	3.0%

** Foreclosure rates, as determined by HUD in 2008, are the sum of foreclosure starts over 18 months, estimated for local areas.*

APPENDIX C

LIST OF QUANTITATIVE VARIABLES

Eligible Activities	Financing Mechanisms	# Units
		$Allocated
		$/Unit
	Purchase and Rehab	# Units
		$Allocated
		$/Unit
	Land Banks	# Units
		$Allocated
		$/Unit
	Demolish	# Units
		$Allocated
		$/Unit
	Redevelop	# Units
		$Allocated
		$/Unit
Program Uses	Homeownership	# Units
		$Allocated
		$/Unit
	Counseling and Assistance	# Units
		$Allocated
		$/Unit
	Rental	# Units
		$Allocated
		$/Unit
	Lease-Purchase	# Units
		$Allocated
		$/Unit
	Public Facilities	# Units
		$Allocated
		$/Unit
	Demolition and Holding	# Units
		$Allocated
		$/Unit
Income Targeting	Very Low (<50 percent AMI)	# Units
		$Allocated
		$/Unit
	Low-Mid (51-80 percent AMI)	# Units
		$Allocated
		$/Unit
	Moderate (81-120 percent AMI)	# Units
		$Allocated
		$/Unit
	Leveraged Finance	Form of Leveraging
	Green	Green Comm. or Equiv.
		Energy Efficiency
		Other
	Admin and TA Costs	$ Spent on Administration

APPENDIX D

ADDITIONAL NEIGHBORHOOD STABILIZATION RESOURCES

Many national and local organizations have made available additional resources for neighborhood stabilization. Below is an annotated list of some of the resources offered online. Note that this is not an exhaustive list but rather good places to start your research.

Official HUD NSP Website

Contains regulatory information, allocation amounts, frequently asked questions (FAQs) and program and policy guidance for NSP grantees.
http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/

Enterprise's Public Policy Page

Contains summaries of the NSP program, suggested changes to the NSP notice and statute and resources on NCST.
http://www.enterprisecommunity.org/public_policy/foreclosure_prevention/neighborhood_stabilization.asp

National Community Stabilization Trust (NCST)

Contains information on NCST, which facilitates the transfer of foreclosed and abandoned properties from financial institutions nationwide to local housing organizations to promote productive property reuse and neighborhood stability.
http://stabilizationtrust.com./

StableCommunities.org

From NeighborWorks America: Contains information and strategies to stabilize and revitalize communities in the wake of the foreclosure crisis.
http://www.stablecommunities.org/

Foreclosure-Response.org

From the Center for Housing Policy, KnowledgePlex, LISC, and the Urban Institute: a website offering resources intended to help states and localities respond to the foreclosure crisis.
http://foreclosure-response.org/