

# The HERA/ARRA Neighborhood Stabilization Program

Augusta, Georgia's  
NSP1

New Housing Recovery Plan



# CDBG

(Community Development Block Grant)

# HOME

(HOME Investment Partnership)

## Funding Type

- CDBG assist with providing communities with resources to address wide range of development

## Regulations Criteria

- HOME is designed to create affordable housing for low-income households by providing formula grants to States and localities which are often used in partnership with local nonprofit groups-to fund activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership

# What is the Housing Economic Recovery Act?

- Passed on July 30, 2008 as part of an effort to revitalize neighborhoods devastated by the foreclosure crisis through a combination of CDBG and HOME regulation
- Funds can be used for financing mechanisms for purchase and redevelopment of foreclosed properties including mechanisms such as soft-seconds, loan loss reserves, and shared equity loans for the purpose of renting, selling or redeveloping such properties which may include blighted or vacant structures
- Established very specific targeting responsibilities for state and local governments implementing the Neighborhood Stabilization Program<sup>1</sup>

# What is Neighborhood Stabilization Program1?

- Designed for the purchase of foreclosed or abandoned homes at a discount and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes
- Augusta-Richmond County was selected by HUD as eligible for funds based on the actual number of foreclosures and other factors that have affected the neighborhood stabilization for the state of Georgia
- Those neighborhoods that are eligible for NSP1 funding are any in the targeted zip codes of 30901, 30904, 30906, 30909, and 30815

# Categories of Usage-State of Georgia State



## NSP-Eligible Uses

[www.hud.gov/offices/cpd/communitydevelopment](http://www.hud.gov/offices/cpd/communitydevelopment)

## Correlated Eligible Activities From the CDBG Entitlement Regulations

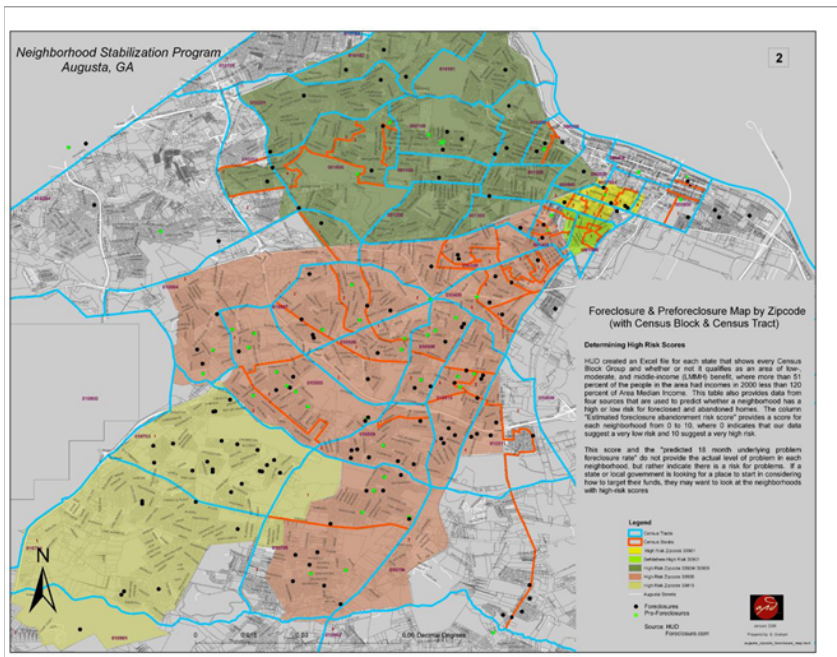
<p><b>(A)</b> Establish financing mechanisms for purchase and redevelopment of</p>	<p>As part of an activity delivery cost for an eligible activity as defined in <b>24 CFR 58</b> foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers <b>570.206.</b> Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.</p>
<p><b>(B)</b> Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties</p>	<p><b>24 CFR 570.201 (a)</b> Acquisition <b>(b)</b> Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); <b>570.202</b> eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).</p>
<p><b>(C)</b> Establish land banks for homes and residential properties that have been foreclosed upon</p>	<p><b>24 CFR 570.201 (a)</b> Acquisition and <b>(b)</b> Disposition.</p>
<p><b>(D)</b> Demolish blighted structures</p>	<p><b>24 CFR 570.201 (d)</b> Clearance for blighted structures only.</p>
<p><b>(E)</b> Redevelop demolished or vacant properties as housing</p>	<p><b>24 CFR 570.201 (a)</b> Acquisition, <b>(b)</b> Disposition, <b>(c)</b> Public facilities and improvements, <b>(e)</b> Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below). <b>24 CFR 570.202</b> Eligible rehabilitation and preservation activities for demolished or vacant properties. <b>24 CFR 570.204</b> Community based development organizations. HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</p>

# Changes and Revisions

Due to changes in housing market conditions, including more restrictive credit requirements for developers' construction financing, new procedures in RESPA regulations, and an increased push to obligate funding under the NSP1 program by the current administration, several changes in the Substantial Amendment submitted to HUD in 2008 have been made.

# Areas of Greatest Need

Illustrates the entire Augusta area within five targeted zip codes (30901, 30904, 30906, 30909, and 30815) with existing foreclosures and pre-foreclosures within Census Tracts and Block Groups.





# HERA/ARRA PROGRAM PREVIOUS FUNDING USAGE

• Administrative *	\$247,306.40
• Second Mortgage	\$200,000.00
• Rental Housing	\$618,266.00
• Land bank	\$200,000.00
• <u>Redevelopment</u>	<u>\$1,207,491.60</u>

Augusta-Richmond

County Total Allocation \$2,473,064.00

\* Salaries, Travel, Equipment, Supplies, Training

# HERA/ARRA PROGRAM REVISED FUNDING USAGE

- Administrative\* \$247,306.40
- Financing Mechanism \$100,000.00
- Rental Housing \$618,266.00
- Land bank \$100,000.00
- Redevelopment \$1,407,491.60

Augusta-Richmond

County Total Allocation \$2,473,064.00

\* Salaries, Travel, Equipment, Supplies, Training

# REVISED LAND BANK (FUNDING USAGE #4)

- Effective April 2, 2010 HUD announced a new definition of “abandoned and foreclosed” under NSP1. The changes to the definitions will allow more properties to qualify, remove existing barriers caused by market conditions, and help state and local grantees to meet a Congressional requirement that they obligate all of their NSP1 funding by September of this year

# Definition of Foreclosure

Properties will now be eligible for NSP1 assistance if any of the following conditions apply:

1. The property is at least 60 days delinquent on its mortgage and the owner has been notified; or
2. The property owner is 90 days or more delinquent on tax payments; or
3. Under state or local law, foreclosure proceedings have been initiated or completed; or
4. Foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP1 grantee, sub-recipient, developer, or end user

# DEFINITION OF ABANDONED

HUD is expanding the definition of an “abandoned” property to include homes where:

- 1.) No mortgage or tax payments have been made by the property owner for at least 90 days or
- 2.) A code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies.

# New Developer Partnership

- On April 30, 2009 the AHCDD enforced a deadline for acceptance of responses for the Request for Qualifications(RFQ) for residential developers
- The Detailed Qualification Statement mandated a clear knowledge of and experience in the development of housing for purchase by owner-occupants and/or rental for residency by tenants in urban neighborhoods
- Prior experience in urban and historic property development/restoration was considered and information on cost, financing, scheduling, and outcomes was to be provided
- Potential developers also had to include proof of applicable insurance coverage and licensing.

# New Developer Partnership

To expedite the obligation of NSP1 funding, and to include a greater number of qualified and competent developers, projects can be approved in partnership with any qualified non-profit or for-profit with the required expertise and financial capacity