

Neighborhood Stabilization Program (NSP) Tallahassee Program Overview 2009

The federally created Neighborhood Stabilization Program (NSP) distributes funding to local governments to acquire vacant, bank-owned foreclosed properties and rehabilitate them to re-enter the occupied-housing stock. The banks dispose of foreclosed properties; neighborhoods have fewer vacant houses; and income-eligible households benefit from newly renovated homes. The state of Florida received just over \$91 million in the NSP program to distribute to local jurisdictions through the Department of Community Affairs (DCA).

States are required to spend 25% of their allocations on rental housing for households earning less than 50% of area median income (AMI). DCA separated their funds into a Regular Allocation with no restrictions, and the Low-Income Supplemental Allocation (NSPLI), which must be used to create rental-housing units for very low-income households. Tallahassee is slated to receive \$1,693,435 in the Regular Allocation, and \$1,252,235 in the NSPLI Allocation. The total Tallahassee will receive is \$2,945,670. 6.8% of the allocation may be spent on administrative costs. Staff attended multiple trainings related to NSP by Florida Housing Coalition and DCA.

The US Department of Housing and Urban Development (HUD) released data related to the risk of foreclosure by census tract. The data determined the funding allocations for Florida communities. All NSP funds must be expended in areas of greatest need identified in the data. Risk scores were determined by three factors: greatest rate of home foreclosures, highest percentage of homes financed by sub prime mortgage loans, and identification as likely to face a rise in the rate of home foreclosures. The map of these census tracts shows that the highest foreclosure risk areas in Tallahassee are located in the Southern Strategy Area and Greater Frenchtown neighborhood (*see map*). The advantage of this NSP target area is that Community Redevelopment Area (CRA) funds may be used in conjunction with NSP funds for greater impact.

One of the federal objectives of the NSP is to expend the funds quickly. Properties should be acquired and rehabilitation contracts should be developed within 10 months of DCA signing its contract with HUD (March 3, 2009). DCA plans to visit Tallahassee to monitor progress. All NSP funds must be expended within 15 months (by June 2010) or DCA will recapture unexpended funds for re-distribution to faster performing jurisdictions. Likewise, if Tallahassee spends their money quickly, the City may receive additional funds in 2010, recaptured from under-performing Florida jurisdictions. The City will have four years to “close” each project by selling or renting homes to income-eligible buyers.

Tallahassee’s application for funding was due to DCA by April 6, 2009. The NSP application required Tallahassee to choose the eligible NSP activities that would address the highest priority local needs. Eligible activities through the NSP program are as follows:

- Acquisition-Rehabilitation of housing for homeownership: benefiting up to 120% AMI.
- Acquisition-Rehabilitation of housing for homeownership: benefiting up to 50% AMI.
- Housing Finance mechanisms for purchase of foreclosed homes.
- Land banking (limited to 10% of Regular Allocation): must be built and occupied within 10 years
- Demolition and redevelopment (limited to 5% of Regular Allocation).
- Acquisition-Rehabilitation of housing for rental: benefiting up to 120% AMI.
- Acquisition-Rehabilitation of housing for rental: benefiting up to 50% AMI.

Staff was required to hold an advertised public meeting as part of the application process, and a meeting of a Citizen Advisory Task Force (CATF). The public meeting was March 10 and the CATF meeting was March 11. The following is the proposed budget presented to the public:

Strategy	Amount allocated	Estimated housing units
Administration	\$200,305.56	0
1. Acquisition-Rehabilitation for homeownership: households < 120% AMI	\$300,000.00	3
2. Housing Finance Mechanism for purchase of foreclosed homes	\$40,000.00	4
3. Land Banking	\$169,343.50	2
4. Demolition and redevelopment	\$84,671.75	1
5a. Acquisition-Rehabilitation for rental: households < 120% AMI	\$899,114.19	9
5b. Acquisition-Rehabilitation for rental: households < 50% AMI	\$1,252,235.00	12
TOTAL	\$2,945,670.00	31

The City Commission has expressed the desire to expend housing assistance funds on multi-family rental units. The NSP program will address that need. All of the NSPLI funds must be spent on Acquisition Rehabilitation of housing for rental units benefiting households earning less than 50% AMI (Strategy 5 in the NSP application). Additionally, staff proposed spending \$899,114.19 of the Regular Allocation dollars on rental housing for various low and moderate-income levels to address the rental housing need expressed by the City Commission. The provision of different housing types and costs is a policy of the Southern Strategy Area Plan within Tallahassee’s Comprehensive Plan. Potential property managers for the rental units are Good News Outreach and the Tallahassee Housing Authority.

The more flexible Regular Allocation may be spent on any of the strategies. The Southern Strategy Area Plan encourages homeownership opportunities, and the area may be losing owner-occupied units to foreclosure. A preliminary search of bank-owned foreclosed properties located

in the highest priority need areas of the City found that there were some relatively young, available units that would not require extensive rehabilitation. These units may be ideal for re-sale. Staff proposes that NSP funds be used to address the need for continued homeownership in areas at highest risk of foreclosure, while recognizing the competition in the housing inventory now. Strategy 1 in the NSP application recommends \$300,000 for acquisition and rehabilitation of homes for re-sale to households earning less than 120% AMI. Strategy 2 offers a down payment assistance incentive to purchase an NSP-assisted home. Houses acquired for Strategy 4, demolition and redevelopment, would also be sold to income-eligible buyers. Demolition funds are restricted in the NSP program to encourage communities to preserve housing. The advantage of the land banking strategy (Strategy 3) is that it allows more time to redevelop and sell or rent the properties (10 years). The land banking strategy has a funding limit so that housing units are produced in the short term.

Staff has been conservative in estimating the number of units that will be delivered under each strategy. One reason for this is the State will require that we formally amend our application if, once under operation, we discover that we need to reduce the number of units under any of the strategies. Amending the application involves repeating all the initial application steps including convening the Citizen Advisory Task Force and conducting a public hearing. However, we do not have to amend the plan if we exceed the number of units delivered under each approach. Given the aggressive timetable under this program, we believe it prudent to use conservative production estimates.

The NSP application required the City to create a Housing Assistance Plan, specifying the policies and procedures that will be used to administer the program. The City detailed the procurement process, the acquisition procedures, disposition procedures, land bank maintenance plan, long-term affordability plan, terms of assistance, rehabilitation standards, anti-discrimination and fair housing policies, and more. The City's application was submitted by the April 6, 2009 deadline. Tallahassee will receive a site visit and approval from the Department of Community Affairs before the project begins.

