

Changes and Updates to NSP in the American Recovery and Reinvestment Act

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Leading with Ideas

DEMONSTRATING THROUGH ACTION

Transforming with Capital

SUSTAINING THROUGH POLICIES AND PARTNERSHIP



American Recovery and Reinvestment Act of 2009

- Signed into law on February 17, 2009
- \$787 billion package – of which \$25.21 billion allocated to housing-related programs
- \$13.61 billion in HUD-administered programs.
 - 75% of which was allocated within 1 week of bill signing

Housing Allocation Summary



HOME (LIHTC gap funding)	\$2.25 Billion
Section 8 Project-based Rental Assistance	\$2 Billion
Green HUD-Assisted Housing	\$250 Million
Public Housing Capital Fund	\$4 Billion
Neighborhood Stabilization Program	\$2 Billion
Community Development Block Grant	\$1 Billion
Emergency Shelter Grants	\$1.5 Billion
Weatherization Assistance Program	\$5 Billion
Native American Housing Block Grants	\$510 Million
Lead Hazard Reduction Program	\$100 Million
Energy Efficiency and Conservation Grants	\$6.3 Billion
Rural Housing Programs (USDA Section 502)	\$200 Million
Community Development Financial Institutions	\$100 Million

Total: \$25.21 Billion



Neighborhood Stabilization Program - Recap



- \$3.92 billion authorized in the Housing and Economic Recovery Act (HERA) of 2008
- Timing:
 - HERA signed into law July 30, 2008
 - Notice and allocation by formula announced Sept. 29, 2008
 - Action Plans submitted to HUD Dec. 1, 2008
 - Funds released March 2009
 - Funds obligated within 18 months

NSP - Recap



- Eligible uses:
 - A. Establish financing mechanisms
 - B. Purchase and rehabilitate properties
 - C. Establish land banks
 - D. Demolish blighted structures
 - E. Redevelop demolished or vacant properties

- Major regulations/limitations:
 - Discount requirement
 - Resale restriction
 - Income targeting
 - Reinvestment of profits – program income

NSP II - According to ARRA



- \$ 2 billion allocation
 - Was eliminated in the Collins-Nelson Senate Compromise
 - Restored in Conference Committee
- ARRA statutory changes can be divided into:
 - Changes that will affect the first and second rounds of NSP
 - Changes that will affect only the second round of NSP



HUD has not released official guidance on ARRA NSP – therefore subject to change pending HUD regulations



Repeal of the Program Income Section

- Eliminates all of Section 2301(d)(4):
 - ✗ Reinvestment of profits from sales, rentals, and redevelopment
 - ✗ 5-year Reinvestment Period
 - ✗ Deposits in the Treasury: Profits after 5-year period
 - ✗ Other Revenues – from other eligible uses also subject to reinvestment of profits
- 🔍 Treatment of program income – NSP or CDBG activities?



Expansion of Land Bank Eligible Use

- Section on land banking has been amended to read:

“Establish **and operate** land banks for homes **and residential properties** that have been foreclosed upon”



Redevelopment as Housing Only

- Housing must be the end result of redevelopment activities (Eligible use E)
- Restricts redevelopment to residential projects
 - Original HERA language permitted redevelopment for non-residential uses



How will this affect localities who submitted action plans with non-residential redevelopment projects?



Prohibition to Refuse to Lease to Sec. 8 Voucher-Holders

- Grantees may not refuse to lease a housing unit to a tenant participating in Section 8.



Tenant Protections

- Several provisions to protect rental tenants in properties whose landlords have been foreclosed upon, including:
 - Tenants with a bona fide lease (signed before foreclosure) must be permitted to remain in the unit until the end of the lease.
 - Tenants without a lease must be granted 90-days notice to vacate
 - Grantees that purchase foreclosed homes with Section 8 tenants will be subject to the lease and housing assistance payments contracts of the occupied unit(s).



Competitive Allocation Process

- \$2 billion in funding will be allocated by competition.
- Eligible entities:
 - States
 - Units of local government
 - Nonprofit entities or a consortia of nonprofit entities that may partner with for-profit entities



No More Formula.



Competition Timeline

- HUD Secretary must publish criteria within 75 days
→ Approximately April 30, 2009
- Applications must be submitted to HUD within 150 days
→ Approximately July 15, 2009
- HUD must obligate all funds within one year
→ February 17, 2010



Timeline may be moved up.



Criteria for Allocation

- HUD must ensure that grantees are located in areas of greatest need (number and percentage of foreclosures).
- Additional criteria:
 - Capacity to execute projects
 - Leveraging potential
 - Concentration of investment to achieve neighborhood stabilization
 - Any additional factors determined by the HUD Secretary



How will need and capacity be balanced by HUD?



Expenditure Timeline

- Grantees must expend 50% of allocated funds within 2 years
- Grantees must expend 100% of allocated funds within 3 years
- Clock starts once funds are made available to the grantee



Establishment of Capacity Building Funds

- HUD Secretary may use up to 10% (\$200 million) for grantees for the provision of capacity building of and support for local communities receiving funds
- Separate pot of funds from the competitive applications

**Up to \$200 million:
Capacity Building**



**1.8 billion:
Competitive Grants**





Prohibition of Demolition of Public Housing

- No NSP funds may be used to demolish any public housing



Establishment of 10% Cap on Demolition

- Grantees may not use more than 10% of NSP funds for demolition
 - Unless the grantee receives specific authority from the HUD Secretary



Enterprise Neighborhood Stabilization Analysis Project

- Learn what localities are doing with their allocation:
 - Individual – programs, leveraging, targeting, etc.
 - Aggregate – percentage spent on each eligible use, number of units purchased and rehabilitated, green building, etc.

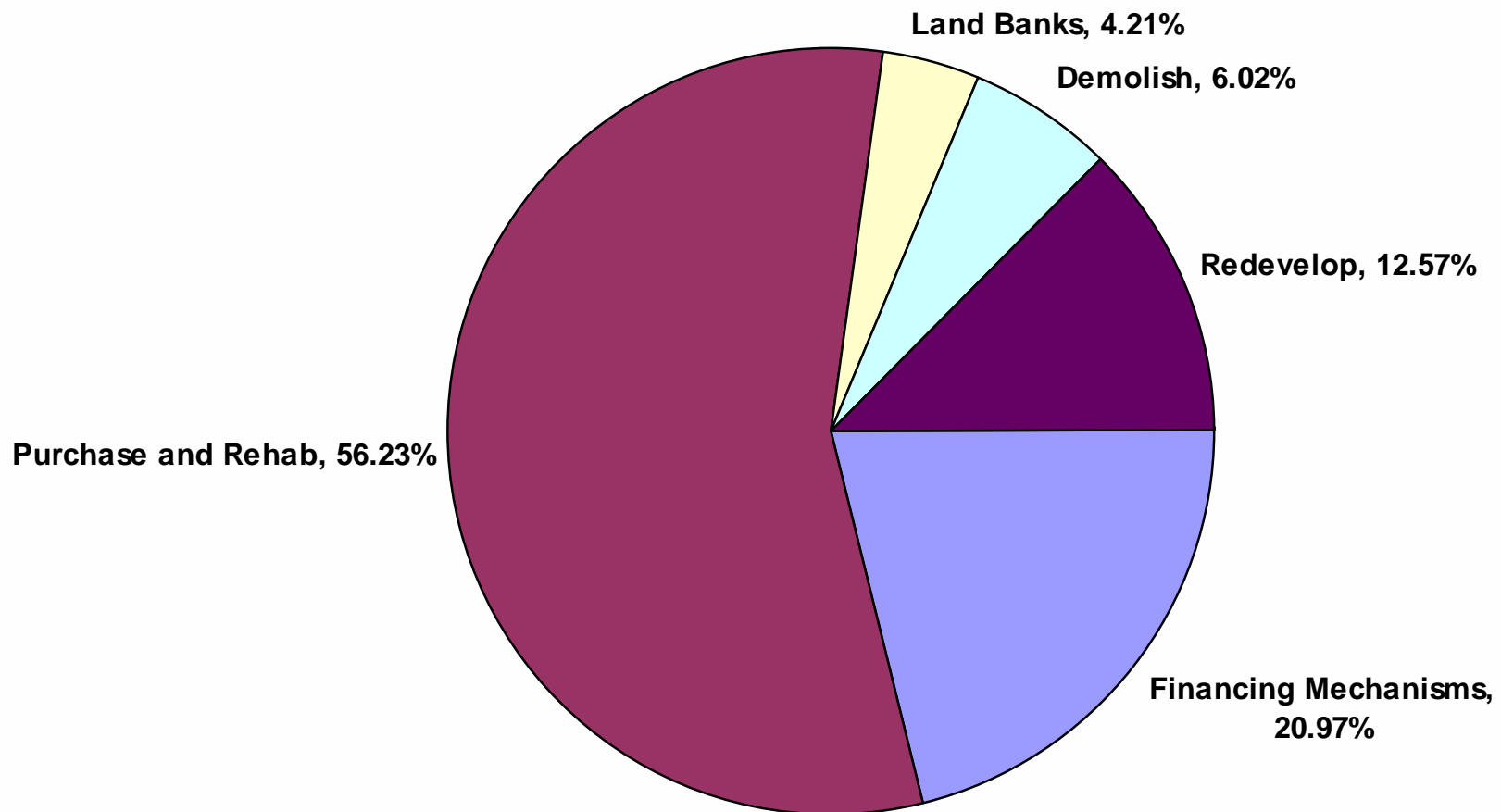
- Share promising practices:
 - Innovative program ideas
 - Programs that will likely be high-impact / high-success

ENSAP

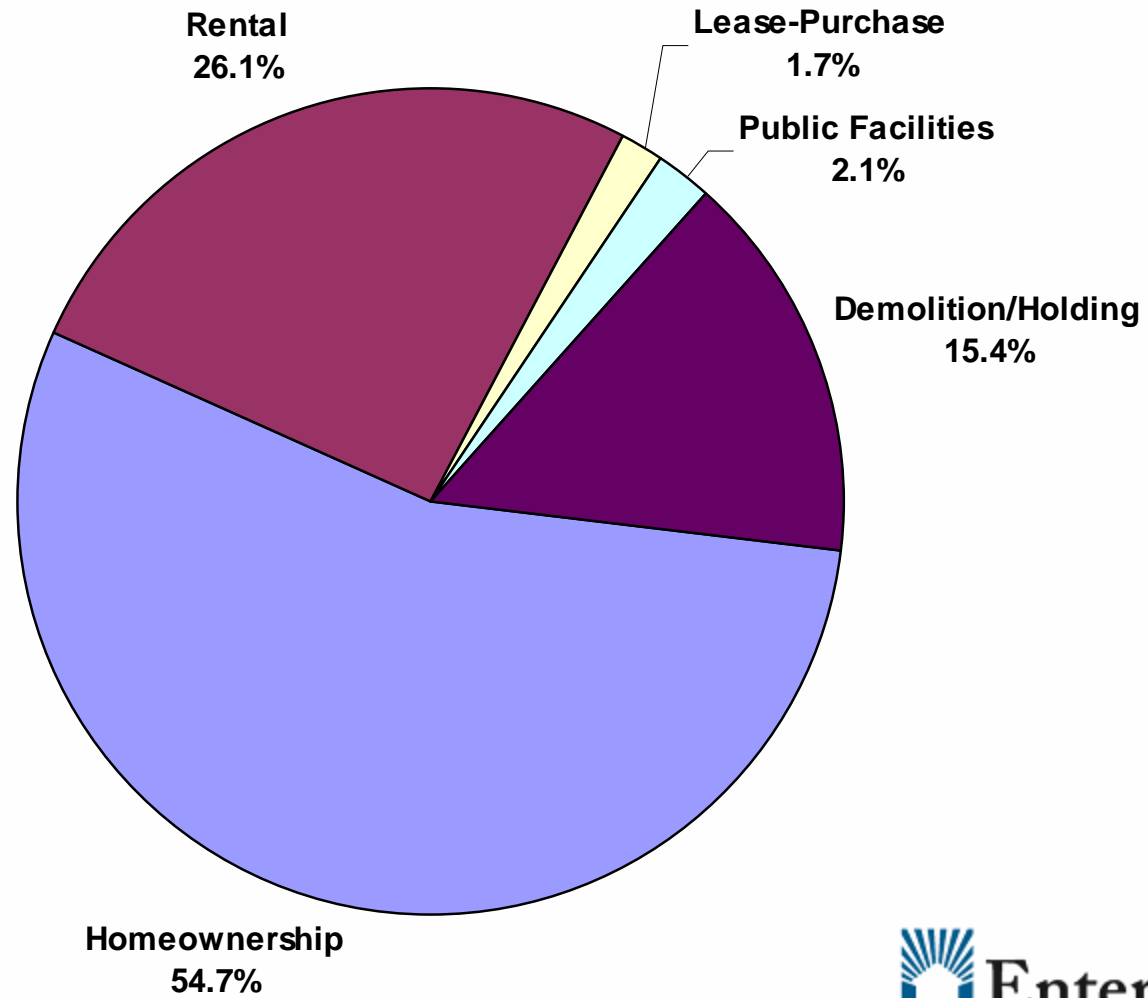


- Research and Analysis of the NSP Action Plans for States, Cities, and Counties
- Quantitative and Qualitative Analysis
- 87 Plans Analyzed
 - Account for \$2.26 billion of the total \$3.92 billion (58%)
 - Plans analyzed in sample range from \$2.1 to \$145 million
- Will have results published by beginning of April.
- Research is meant to inform localities as they develop competitive applications for NSP II.

ENSAP: Allocation by Eligible Use



ENSAP: Allocation by Program Type



Outstanding NSP Issues



- ARRA fixed some of the problems from NSP I
 - Most notably, the repeal of the Program Income section
- However, still outstanding issues that are hampering program implementation
- Enterprise continues to work with partners to push
 - Congress for necessary statutory changes
 - HUD for necessary regulatory changes

Thank You!



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