



Neighborhood Stabilization Program (NSP) and the Low Income Housing Tax Credit Program

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Legal Affairs Manager
Office of Affordable Housing
March 5, 2009
1:30 PM to 4:30 PM



Today's Agenda

- Introductory Information/DCA and NSP
- NSP Eligible Uses
- Eligible Programs under the Flex Pool RFP
- LIHTC Term Sheet for NSP
- Application Requirements
- Selection Criteria
- Deadlines
- Things to Remember

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We will not cover ☺

Monetization
TCAP (HOME Gap Financing)

Please attend the ARRA public forum:

March 18, 2009
2:00 PM
Loudermilk Center

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WHAT IS NSP?

- NSP provides assistance to every state and certain local communities to purchase foreclosed or abandoned homes and residential properties to rehabilitate, resell, or redevelop these homes and residential properties in order to stabilize neighborhoods and stem the decline of house values of neighboring homes.
- The program is authorized under Title III of the HERA, passed July 30, 2008.

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GA SUBSTANTIAL AMENDMENT

- Direct Allocation Pool
- Flexible Pool
- Over \$153 million to the State of Georgia
 - \$76 million to nine entitlement cities
 - Over \$77 million to DCA
- Substantial Amendment approved by HUD on 1/15/2009
- New Amendment published 2/2/2009:
 - Clarifies flexible pool requirements
 - Requires 15 day comment period
 - RFP released 2/18/2009

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DIRECT ALLOCATION POOL

- Formula Allocation system used
- Notification of Regional Applications were due 12/15/2008
- Final Applications were due 1/15/2009
- DCA decisions expected after DCA receives the executed NSP Award from HUD

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FLEXIBLE POOL



- Initially funded at approximately \$15 million
- Regional Applications
- Failure to apply to Direct Pool

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FUNDING AVAILABLE



- Total (approximate): \$19,561,362
- RFP: \$14,561,362
- GA Dream / NSP Purchase: \$5,000,000
- Threshold allocation required: \$100,000.00

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ELIGIBLE USES



- Establish financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties
 - 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
 - Redevelop demolished or vacant properties
 - Demolish blighted structures
- (Please note that there is another Eligible Use under the NSP Program -- establishing land banks for foreclosed upon homes. However, it is not being offered through the flexible pool)*

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ELIGIBLE USES



- Eligible Uses **A (financing mechanisms)** requires *foreclosure*
- Eligible Use **B (purchase and rehabilitation)** requires *foreclosure or abandonment*
 - Abandonment defined by HUD
 - Foreclosure defined by State Law

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ELIGIBLE USES



- Eligible Uses **A and B must be for homes or residential properties**
 - Homes includes any type of permanent residential dwelling units, including multifamily rental apartments that cover the entire property
 - Residential properties includes homes and vacant land that has been zoned residential for development purposes

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ELIGIBLE USES



- Eligible Use **D** requires the property to be blighted, as defined by the State in the Substantial Amendment. For this program, new construction of LIHTC projects are required to be eligible for demolition funds.
- Must present two or more conditions and is conducive to ill health, transmission of disease, infant mortality, or crime in the immediate proximity of the property (See OCGA §22-2-1).
- Residential, commercial and industrial structures qualify.

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ELIGIBLE USES



- Any type of property can be redeveloped.
- Redevelopment implies that properties were once developed
- Does not need to be abandoned or foreclosed
- Must be vacant (land and structures)
- New construction of multifamily housing can occur ONLY under Eligible Use E.
- Public facilities can also be developed under Eligible Use E

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ELIGIBLE USES



- **HUD Guide to NSP Eligible Uses:**
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspelibleuses.doc>
- **HUD Explanation of Property Types under Each Eligible Use, dated February 12, 2009 (updated 3/4):**
http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp_terminology.pdf
- **NSP Frequently Asked Questions:**
http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/docs/nspfaq_all.doc

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RFP ELIGIBLE PROGRAMS



- The Georgia Dream / NSP Purchase Program
- The Permanent Supportive Housing Neighborhood Stabilization Program (PSHNSP)
- The Low Income Housing Tax Credit Program (LIHTC)

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RFP ELIGIBLE PROGRAMS



The Georgia Dream / NSP Purchase Program

- Applications will be accepted on an ongoing basis (first come, first serve) starting March 5, 2009
- Deadline will be May 31, 2010
- Program roll-out expected April 2009
- Contact: Alicia Yorkey, Production Manager, at:
alicia.yorkey@dca.ga.gov
404-679-4939

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RFP ELIGIBLE PROGRAMS



Permanent Supportive Housing Neighborhood Stabilization Program

- Applications accepted as a part of the RFP
- Constructing or rehabilitation rental housing for Homeless Tenants
- Contact Doug Scott, Manager, at:
doug.scott@dca.ga.gov
Phone: 404-327-6881

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RFP ELIGIBLE PROGRAMS



- For LIHTC and PSHNSP only
- Threshold allocation of \$100,000.00 required
- Rental housing
- 25% at 50% AMI required for NSP
 - All PSHNSP units @ 50% AMI
 - 40% of LIHTC units @ 50% AMI
- 25% of NSP Flexible Pool Funds will fund PSHNSP projects

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LIHTC TERM SHEET



- Continued Affordability: Matches HOME Period of Affordability Requirements
- All proposed units in a project funded with NSP must be affordable to tenants at or below 120% Average Median Income (AMI).

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LIHTC TERM SHEET



- To be considered tax credit units, all of the proposed units must be affordable to tenants at or below 60% AMI. In addition, 40% of the total residential units must be affordable to tenants at or below 50% AMI.
- Rents: Treated the same as HOME (FMR) rents. **See 24 CFR 92.252(a), (c), (e), and (f)** of the HOME regulations which ensures a minimal level of compliance with NSP.

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LIHTC TERM SHEET



- Each project will be capped at a maximum \$2.5 million NSP allocation. Minimum Loan amount is \$1 million. Loans will be structured as 0% interest, cash flow loans with a balloon loan due at the end of the compliance or extended use period whichever comes first. Payments from cash flow will be determined based on the ratio of NSP to total developments costs.

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LIHTC TERM SHEET



- Applicants will be required to submit a full tax credit application on or before the 2009 Application date. Applicants will not receive a full commitment until all environmental requirements have been met and HUD has authorized the release of funds. Applicants should review carefully requirements related to HOME environmental reviews as this standard will be applicable to NSP funds.
- Preliminary commitments will be subject to the applicant completing a full tax credit application no later than the 2009 Application date. All preliminary commitments will be subject to a tax credit allocation award no later than October 1, 2009. An Application that passes threshold for purposes of the NSP application does not mean that the application will meet threshold for tax credit purposes.

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APPLICATION REQUIREMENTS



- Tab A: NSP Flexible Pool Eligibility Form
- Tab B: Pictures of the Proposed Project Site
- Tab C: Site Control documentation to support eligible use
- Tab D: HOME and NSP Environmental / Relocation Notice
- Tab E: HOME and NSP Funding Consent Application located at: <http://www.dca.ga.gov/housing/HousingDevelopment/programs/housingTaxCredit.asp> OR Revised Pro-Forma for the Year the Project was funded (for those projects previously receiving an allocation of low income housing tax credits that have not closed on their land).
- Tab F: Performance Workbook

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APPLICATION REQUIREMENTS



Tab A: NSP Flexible Pool Eligibility Form

- Used to support eligibility for NSP funds
- Provide as much information as possible
- Supplement the required form with any additional documentation to support the request

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APPLICATION REQUIREMENTS



Tab B: Pictures of the Proposed Project Site

- Should support Eligible Use
- For example, if blighted, show us pictures to show us just how blighted it is!
- Provide enough pictures to give us an overview of the project site
- Include maps, aerials, etc...

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APPLICATION REQUIREMENTS



Tab C: Site Control documentation to support eligible use

- If foreclosed property, must show 15% discount
- An appraisal should be included (see appraisal NSP guidelines)

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APPLICATION REQUIREMENTS



Tab D: HOME and NSP Environmental/Relocation Notice

- Phase I will be required at full tax credit application
 - Same environmental procedure as with HOME
 - Take no physical action on the land
- GIN Notices should go out prior to submittal of the application for NSP funds

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APPLICATION REQUIREMENTS



Tab E: HOME and NSP Funding Consent Application located at:

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/housingTaxCredit.asp>

OR

Revised Pro-Forma for the Year the Project was funded (for those 2008 projects previously receiving an allocation of low income housing tax credits that have not closed on their land).

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APPLICATION REQUIREMENTS



Tab F: Performance Workbook

- Complete all portions of the Workbook for Owner and Developer
- Same Workbook can be used for HOME Consent Application
- **REMEMBER:** If you were not deemed experienced in 2008, you must be recertified to compete in the 2009 round

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SELECTION CRITERIA



- A proposal that supports GHFA's targeted areas of greatest need and demonstrates that the project will address specific areas of need;
- The respondent identifies specific properties for the obligation of funds;
- The respondent evidences local government support needed to make the project successful;
- Data is provided that addresses housing foreclosures and the need for neighborhood stabilization;

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SELECTION CRITERIA



- The proposal evidences an ability and strategy to meet a need of stabilizing a neighborhood at risk due to foreclosure, abandonment or blight;
- The respondent demonstrates capacity and experience to successfully carry out the project within the Act's timeframes;
- The respondent demonstrates financial accountability;

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SELECTION CRITERIA



- A proposal that supports NSP's requirement that 25% of NSP funds be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% of area median income; and
- The respondent demonstrates readiness to meet the obligation and expenditure requirements with regards to the activity and Programs identified.

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DEADLINES



- Request for Proposals Released: February 18, 2009
- Proposal Due Date: March 27, 2009 by 5:00 PM
- Tax Credit Applications Due: May 21, 2009 by 4:00 PM

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THINGS TO REMEMBER

QAP SCORING



- **DCA-allocated NSP funds (min \$1,000,000) worth six (6) pts**
 - Includes direct and flexible pool funds
 - If flexible pool funds are not used, Applicants are **ENCOURAGED** to use the Term Sheet in its work with the direct pool locality from which it will receive NSP funds.
- **NOTE:** NSP allocated from a direct HUD allocation to an Entitlement Area (min \$1,000,000) is worth three (3) pts
 - Commitment Letter must make clear where the funds are coming from (if the funds are DCA funds or HUD Entitlement funds) for the points.

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THINGS TO REMEMBER



- LIHTC funds must be awarded during the tax credit round to keep the NSP preliminary commitment
- Will be treated like HOME, so a preconstruction conferences and training on federal compliance (Davis Bacon, Section 3, etc...) will be required

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THINGS TO REMEMBER

KEEP IN MIND



- OAH will send out messages periodically to update potential applicants on NSP. Make sure that your name is on the DCA contact email list (Stephen Barrett)
- Check the NSP Flex Pool website periodically for Q&A updates:
http://www.dca.ga.gov/communities/CDBG/programs/ns_p_flex_pool.asp

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OTHER NSP FUNDING



- Applications are due to HUD for NSP grants on 7/17/09 to purchase abandoned and foreclosed property for use as affordable housing
- **Other Highlights:**
 - Eligible Use E can only be used for housing redevelopment
 - No demolition of public housing
 - No more than 10% for demolition activities under Eligible Use D and E unless waived by HUD Secretary
 - Program Income Rules changed retroactively

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THINGS TO REMEMBER



For written guidance from DCA, submit any questions to:

nsp.flexpool@dca.ga.gov

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