



# MDHA's Neighborhood Stabilization Program (NSP) Investments For Affordable Housing Developments

## Overview

In early 2009, the Metropolitan Development and Housing Agency (MDHA) expects to receive funds as part of the federal Neighborhood Stabilization Program (NSP). The NSP program is part of the federal response to the current housing crisis. Its purpose is to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. **At minimum 25% of funds, an estimated \$1,012,850 of MDHA's allocation or must be used to house individuals and families at or below 50% of Area Median Income.** The US Department of Housing and Urban Development (HUD) recommends that grantees explore opportunities to work with special needs providers, such as Continuum of Care organizations that serve to very low income beneficiaries.

The purpose of this notice is to provide background information on the potential uses and limitations of NSP funds for developers and non-profit agencies for the development of housing affordable to low-income households.

The information included in this document is subject to change and interpretation by HUD. The regulations, policy guidance, and definitions of the NSP Program are still evolving and as such, MDHA reserves the right to change program parameters as required by HUD.

## Eligible Uses of NSP Funding

Eligible uses of NSP funds include all acquisition and development costs of affordable housing projects, including reasonable developer's fees. NSP-funded developments **must meet three basic criteria** to be considered for funding:

1. The development must be located in a designated target area. Appendix A includes a list of all Census Tracts contained within the target areas. If you are unsure if your potential site is located within a target area, please email: [nspcomments@nashville-mdha.org](mailto:nspcomments@nashville-mdha.org) or use the US Census Lookup tool on the web at:

The screenshot shows the 'U.S. Census Bureau American FactFinder' website. The navigation bar includes 'Main', 'Search', 'Feedback', 'FAQs', 'Glossary', and 'Site Map'. The search path is 'Main > Search > Advanced Geography Search'. The search method is set to 'geography'. The selection method is 'list'. The year and program are set to 'Census 2000'. The search criteria are: Street Address: '1 Titans Way', City: 'Nashville', State: 'Tennessee', and ZIP Code: '37213'. The results show geographies containing '1 Titans Way, Nashville, Tennessee, 37213', with 'County Subdivision: Metropolitan Government CCD' selected.

[http://factfinder.census.gov/servlet/AGSGeoAddressServlet?\\_lang=en&\\_programYear=88&\\_treelid=828](http://factfinder.census.gov/servlet/AGSGeoAddressServlet?_lang=en&_programYear=88&_treelid=828)

2. The units must be affordable and occupied by low income households, defined as households earning less than 50% of the area median income. Current income limits for Davidson County are listed in the table below and subject to change:

<b>2008 NSP Low Income Limits – Davidson County, TN</b> (subject to change by HUD)						
Household Size	1	2	3	4	5	6
Income Limit	\$22,100	\$25,300	\$28,450	\$31,600	\$34,150	\$36,650

3. The development must entail the use of a foreclosed or abandoned residential property. For the purposes of the NSP program, these terms are defined by HUD guidance as:

**Abandoned:** A home is abandoned when it meets all three of the following criteria:

1. mortgage or tax foreclosure proceedings have been initiated for that property,
2. no mortgage or tax payments have been made by the property owner for at least 90 days,
3. and the property has been vacant for at least 90 days.

**Foreclosed:** A home meets the NSP standard of foreclosed if under state law the mortgage or tax foreclosure process is complete and the title for the property has been transferred from the former homeowner through a foreclosure proceeding or transfer in lieu of foreclosure in accordance with state law.

Information related to property information may be obtained from a variety of sources, including Realtors, websites, or governmental agencies. MDHA does not have or maintain a comprehensive list of eligible properties in the areas of greatest need.

## Financing Terms

MDHA can invest NSP funds in a number of ways, including but not limited to low-interest loans, grants, deferred payment loans, shared equity investments, and loan guarantees.

While the NSP regulations do not specify financing terms, there are rules that govern the distribution of any revenue earned on NSP-funded developments. A pro-rated share of revenue must be returned to MDHA when the revenue is realized. For the purposes of NSP, revenue includes the following:

- Proceeds from the sale or lease of property acquired/redeveloped/rehabilitated with NSP funds,
- Principal and interest payments on loans made from NSP funds, including purchase money mortgage loans,
- Net operating income from operation of rental properties acquired and/or rehabilitated with NSP funds, and
- Proceeds from the sale or securitization of loans made with NSP funds.

## 18<sup>th</sup> Month Obligation and Timeline

MDHA must obligate funds for specific NSP activities within 18 months of signing a grant agreement with HUD. Funds not obligated within 18 months are subject to recapture by HUD. According to HUD guidance, entering into a development agreement with MDHA does not qualify as fully obligated. As such, MDHA is looking to partner with organizations that have the capacity and readiness to execute projects within the aggressive 18 month timeline. Priority will be given to proposals that can demonstrate this readiness by providing:

**Fully Detailed Project Description** including project type, sources of additional funds for service provision (if applicable), and marketing strategies.

**Thorough Site Selection** such as address, ownership information, and appropriate zoning.

**Capacity and Experience** in serving your target population, affordable housing developments, and working within the 18 month timeline.

## Additional Information

Additional information regarding the NSP program can be found at MDHA's and HUD's NSP websites:

[http://www.nashville.gov/mdha/neighborhood\\_stabilization\\_program.htm](http://www.nashville.gov/mdha/neighborhood_stabilization_program.htm)

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>



To request a reasonable accommodation contact: 615-252-8555

**Appendix A: Census Tracts in Area of Greatest Need as Determined by HUD Data (illustrated in map Areas of Need by Census Tract)**

101.02	115	148	158.02
102	116	149	159
103.01	117	150	160
103.02	118	153	161
104.01	119	154.02	162
104.02	122	154.04	163
105.01	123	154.05	172
105.02	126	155.02	173
106	127.01	156.08	174.01
107.01	127.02	156.11	174.02
107.02	128.01	156.12	175
108.01	128.02	156.13	190.01
108.02	131	156.14	190.03
109.01	132	156.15	190.04
109.03	133	156.16	191.08
109.04	136	156.17	191.09
110.01	137	156.18	191.10
110.02	138	156.19	191.11
111	139	156.20	191.12
112	142	156.21	191.13
113	143	157	
114	144	158.01	