CITY OF SAN ANTONIO

Neighborhood and Housing Services Department
Grants Monitoring and Administration Division

REQUEST FOR INFORMATION ("RFI")
for
AFFORDABLE HOUSING PROJECTS UTILIZING
NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS

Issue Date: November 17, 2017
Proposal Due Date: December 15, 2017
**Purpose**
The purpose of this Request for Information (RFI) is to enable the City of San Antonio, Neighborhood and Housing Services Department, (City) to obtain information from potential Respondents regarding development of affordable housing projects (AHP) utilizing Neighborhood Stabilization Program (NSP) funds.

**Overview**
The City is requesting information from prospective respondents to develop one of several AHPs utilizing Neighborhood Stabilization Program (NSP) funds.

The City has approximately one million dollars ($1,000,000) in NSP funds available to fully or partially fund an AHP within one (1) of the six (6) City designated NSP target areas. Target area maps may be found in Attachment A.

The City seeks projects providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income.

In order to properly evaluate all responses equitably, address each item listed below. Responses shall be numbered in accordance with the numbering system in the RFI.

1) Designate any and all Project Type(s) (A,B,D,E) under which work is to be performed. NSP funds may be expended for the following project types:
   A. §2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seCONDS, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;
   B. §2301(c)(3)(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;
   C. §2301(c)(3)(C) (Land Banking) assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property;
   D. §2301(c)(3)(D) demolish blighted structures;
   E. §2301(c)(3)(E) redevelop demolished or vacant properties.

2) Project Location / NSP Target Area (A,B,C,D,E,F)

3) The following items may be provided separately or combined into a single document.
   A. Development Budget and,
   B. Sources and Uses of funds within budget.

4) Target Demographic

5) Timeline

6) Executive Summary: Provide a brief description of the project. The response must include the following: a brief history, goals, objectives, project beneficiaries, number of persons/families being served, and community impact or need/problem being addressed. Also describe community support, neighborhood coordination efforts and local partnerships.
7) Describe how NSP funds will be used. Provide information regarding the specific work to be performed and activities to be completed with the use of NSP funds. Describe any use of Green Building standards and principles.

8) Discuss in detail the strategy and a plan to market the affordable housing units.

9) Describe how sales prices or rents will be determined for the affordable housing units.

10) Describe your homebuyer or tenant selection process.

11) Discuss how the proposed project is consistent with housing design standards and features in the specific neighborhoods in which the homes will be located. Housing design standards are unique to each neighborhood and can be found in the deed restrictions for any given property. The intent is to ensure the historically common site/building configurations are perpetuated in the future, in addition to maintaining existing development patterns in the neighborhood.

12) Describe how your plan is consistent with the residential building code set forth by the City of San Antonio.

13) Describe how your plan is consistent with the current Affordable Housing Policy (AHP) set forth by the City of San Antonio.
   a. The current policy is being updated as of the issuance date of this RFI. All potential new project(s) which may be authorized with these funds will be subject to any updated housing policy(s) approved by the City Council. The new policy(s) is not expected to substantially affect current requirements and procedures. No funds will be awarded based on the proposals provided under this RFI. Any projects that may be authorized with these funds would be awarded through an RFA that may, in the City’s sole discretion, be issued at a later date. This will occur after the new policy has been adopted and is available for review.

14) Describe how your plan is consistent with the Residential Construction Management Policy (RCMP) set forth by the City of San Antonio. Click here for RCMP.
   a. The RCMP establishes construction standards for all assisted housing activities and set forth the requirements that the housing must meet upon project completion.

15) Provide a narrative describing if the proposed project(s) are located in one of the following targeted areas and how the proposed project(s) is consistent with the vision of the target area(s):
   a. Inner City Reinvestment/Infill Policy (ICR/IP) area:
      http://www.sanantonio.gov/Portals/0/Files/CCDO/ICRIP%20Map.pdf
   b. Tax Increment Reinvestment Zone (TIRZ) area:
   c. Eastside CHOICE Neighborhood Transformation Plan:
   d. SA Tomorrow Regional Centers and Community Areas:
      https://satomorrow.com/
   e. Additional strategic plans:

Greater detail of allowable funding uses, restrictions and requirements may be found in Attachment B, GUIDE TO NEIGHBORHOOD STABILIZATION PROGRAM (NSP) ELIGIBLE USES.
All NSP funds are made available to individuals and families whose incomes do not exceed 120% of area median income. Not less than 25% of these funds are to be used to house individuals or families whose incomes do not exceed 50% of area median income.

All properties assisted with these funds shall meet the HOME program affordability requirements established in 24 CFR 92.252(a), (c), (e) and (f), and 92.254.

**General Terms and Conditions of the Request for Information (RFI)**

1. This is ONLY a REQUEST FOR INFORMATION (RFI) and should not be construed as intent, commitment, or promise to enter an agreement with a Respondent.

2. The City of San Antonio will not be obligated to any Respondent as a result of this RFI. The City is not obligated for any cost incurred by respondents in the preparation of the RFI. The City will not pay for any information herein requested nor is liable for any costs incurred by the respondent. For economy of presentation, special bindings, colored displays, promotional materials and the like are not required but if they are presented, the City will not be responsible for this cost.

3. This RFI is being submitted strictly for the purpose of gaining knowledge of potential projects eligible for funding under the NSP program.

4. The City will review all information and recommendations received to assess our needs and define our requirements.

5. All Request for Information responses become the property of the City upon receipt and will not be returned. Any information deemed to be confidential or proprietary by Respondent should be clearly noted; however, City cannot guarantee that it will not be compelled to disclose all or part of any public record under the Texas Public Information Act, since information deemed to be confidential by Respondent may not be considered confidential under Texas law, or pursuant to a Court order.

6. The City welcomes respondents to submit any pertinent information that the City should consider, including topics that the City has not included in our RFI.

7. At a later time, the City may release its requirements, based on (in whole or in part) the responses received for this RFI, and pursue a contract through the normal fair competitive bidding process. No funds will be awarded based on the proposals provided under this RFI. Any potential projects authorized with these funds will be awarded through an RFA issued at a later date.

**PRESUBMITTAL:**

A Pre-Submittal Conference will be held at 1400 S Flores, San Antonio, Texas 78204 at 10:00 a.m. Central Time, on Wednesday, November 29, 2017. Respondents are encouraged to prepare and submit their questions in writing three (3) calendar days in advance of the Pre-Submittal Conference in order to expedite the proceedings. Attendance at the Pre-Submittal Conference is optional, but highly encouraged. Respondents that are not able to attend in person may participate by Conference Call. Respondents may call the toll free number listed below and enter access code to participate the day of the conference.
Toll Free Dial-In Number: 1-855-850-2672
Access Code: 993 529 453

This meeting place is accessible to disabled persons. The conference room, located at 1400 S Flores, San Antonio, Texas 78204, is wheelchair accessible. The accessible entrance is located at 1400 S Flores, San Antonio, Texas 78204. Auxiliary aids and services are available upon request. Interpreters for the Deaf must be requested at least 48 hours prior to the meeting. For assistance, call 210-207-5475 Voice/TTY.

**RESPONSE SUBMISSION:**

The deadline for submitting the RFI Response is 2:00 p.m., Central Time, Friday, December 15, 2017. Please submit your response in a sealed envelope marked, “RFI AFFORDABLE HOUSING PROJECT UTILIZING NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS.”

Respondent shall submit their submission in the following manner:

- One (1) original hard copy of the Submission, signed in ink
- One (1) electronic copy of the Submission on USB Flash Drive containing an Adobe version of the Submission with any attachments required in an Adobe PDF.
- Submissions should be submitted in a sealed package clearly marked with the project name and “RFI AFFORDABLE HOUSING PROJECT UTILIZING NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS” on the front/top of the package.

Submissions must be received in the City Clerk's Office no later than 2:00 p.m., Central Time, Friday, December 15, 2017 at the address below. Any submission or modification received after this time shall not be considered, and will be returned, unopened to the Respondent. Respondents should note that delivery to the mailing address in a timely manner does not guarantee its receipt in the City Clerk's Office by the deadline for submission. Therefore, Respondents should strive for early submission to avoid the possibility of rejection for late arrival. Submissions sent by facsimile or email will NOT be accepted.

**Mailing Address:**  
City Clerk’s Office  
Attn: Neighborhood and Housing Services – Office of Grants Monitoring and Administration  
100 Military Plaza  
1st Floor, City Hall San Antonio, Texas 78205

**Physical Address:**  
City Clerk’s Office  
Attn: Neighborhood and Housing Services – Office of Grants Monitoring and Administration  
100 Military Plaza  
1st Floor, City Hall San Antonio, Texas 78205

**RFI Response Contact:** Respondents shall designate a single contact within that company for receipt of all subsequent information regarding this RFI and the forthcoming series of Request for Applications (RFA).

**Format of RFI Responses:** The following outline is offered to assist in the development of your response. You should include the following as PDF files:

- A cover letter – the cover letter should include a brief summary of your response, such as indicating to which areas you are responding and must also indicate if supporting document is
The response itself, covering any or all of the areas of information requested by this RFI. In order to assure that your response receives the attention it deserves, you are asked to consider limiting the size of your response (not counting any supporting documentation) to approximately 20 pages.

**Copyrighted Material:** All responses received will be kept confidential by City of San Antonio staff unless prior permission is received from respondent to treat as a public document.

**Reimbursement:** City of San Antonio will not reimburse submitters for any costs in conjunction with their responses to this RFI.

**Questions Regarding this RFI:** Any questions regarding this RFI should be emailed to the attention of Kimberly Flowers, Contracts Manager: Kimberly.Flowers@sanantonio.gov

**Review Process:** City of San Antonio’s RFIs are issued with the intent to survey the affordable housing community to obtain information that provides guidance, which will be used in the preparation of RFAs.

**Clarification:** To fully comprehend the information contained within a response to this RFI, the reviewing group may seek further clarification on that response. This clarification may be requested in the form of electronic communication; or a presentation of the response to a meeting of the reviewing committee.

This RFI is posted on the City of San Antonio web page: Friday, November 17, 2017

Any submissions after 2:00 p.m., Friday, December 15, 2017 will not be accepted.
REQUEST FOR INFORMATION ("RFI")
for
AFFORDABLE HOUSING PROJECT UTILIZING NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS

Issue Date: November 17, 2017
Proposal Due Date: December 15, 2017

Respondent Information: Provide the following information regarding the Respondent.

Company Name: ________________________________ (NOTE: Give exact legal name.)
Principal Address: ________________________________

City: ___________________ State: __________ Zip: ______

Contact Information: List the one person who the City may contact concerning your proposal or setting dates for meetings.

Name: ________________________________
Title: ________________________________
Phone: ________________________________
E-Mail: ________________________________

***THIS PAGE IS TO BE THE TOP PAGE OF THE RESPONDENTS SUBMISSION PACKAGE***
ATTACHMENT A

NSP TARGET MAPS
Council District: 4

Sources: Esri, HERE, DeLorme, increment P Corp., NPS, NRCan, Ordnance Survey, © OpenStreetMap contributors, USGS, NGA, NASA, CGIAR, N Robinson, NCEAS, NLS, OS, NMA, Geodatastyrelsen, Rijkswaterstaat, GSA, Geoland, FEMA, Intermap and the GIS user community.
ATTACHMENT B

GUIDE TO NEIGHBORHOOD STABILIZATION PROGRAM (NSP)
ELIGIBLE USES
Guide to
Neighborhood Stabilization Program
(NSP) Eligible Uses
Guide to Neighborhood Stabilization Program (NSP) Eligible Uses

This Guide is designed to present the activities that are eligible to be assisted under the Neighborhood Stabilization Program (NSP) found in Title III of Division B of the Housing and Economic Recovery Act of 2008. For guidance on how to apply for NSP funds, consult the NSP Quick Guide for Grantees and the Application and Checklist.

I. GENERAL INFORMATION ............................................................................................................. 1
   1. LOW AND MODERATE INCOME REQUIREMENT ................................................................. 1
      (A) Requirements for the use of NSP funds: ................................................................. 1
      (B) Meeting the National Objective: ............................................................................. 2
      (C) Meeting the 50% of area median income requirement: ........................................ 3
   2. PRIORITY FOR AREAS OF GREATEST NEED .................................................................... 3
   3. CONTINUED AFFORDABILITY ......................................................................................... 3
   4. TIMELY USE AND EXPENDITURE OF FUNDS .................................................................. 4
   5. INFORMATION FOR STATES ............................................................................................. 4

II. ELIGIBLE USES .......................................................................................................................... 5
   1. FINANCING MECHANISMS ............................................................................................... 5
   2. PURCHASE AND REHABILITATION .............................................................................. 5
      (A) Acquisition: ............................................................................................................. 6
      (B) Rehabilitation ........................................................................................................... 7
      (C) Sale .......................................................................................................................... 8
      (D) Correlated Eligible Activities from the CDBG Entitlement Regulations ............ 8
   3. LAND BANKS ....................................................................................................................... 9
   4. DEMOLITION ....................................................................................................................... 9
   5. REDEVELOPMENT ............................................................................................................ 10
   6. ADMINISTRATION AND PLANNING COSTS ................................................................. 11
   7. OTHER USES ..................................................................................................................... 11

I. GENERAL INFORMATION

1. LOW AND MODERATE INCOME REQUIREMENT

   (Housing and Economic Recovery Act §2301(f)(3)(A)(i) and (ii))

   (A) Requirements for the use of NSP funds:

      (1) All of the funds made available under this section are to be used with respect to individuals and families whose incomes do not exceed 120% of area median income.

      (2) Not less than 25% of these funds are to 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.
Note that NSP redefines and supersedes the definition of “low- and moderate-income” of the CDBG program by allowing households whose incomes exceed 80% but are no greater than 120% of area median income to qualify for NSP funds. HUD will refer to this new income group as “middle income,” but continue to use the CDBG definitions of “low-income” and “moderate-income.” HUD will use the term “low-, moderate- and middle-income” (LMMI) to refer to the national objective of the program.

For more information on the 120% of area median income requirement consult [http://www.huduser.org/publications/commdevl/nsp.html](http://www.huduser.org/publications/commdevl/nsp.html).

(B) Meeting the National Objective:

NSP allows for the use of only the LMMI national objective.

- Activities may NOT qualify under NSP using the “prevent or eliminate slums or blight” or “address urgent community development needs” objectives as allowed in the overall benefit provisions of the HCD Act and the CDBG regulations.

- Note that although NSP changes the low and moderate income requirement level of the CDBG program, the remaining requirements of 24 CFR 570.208(a) and 570.483(b) regarding area benefit, housing, and limited clientele benefit remain unchanged.

Examples of how funds can be used to meet the national objective:

**Housing Activities:** Providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

- Acquisition, Rehabilitation, Rental, Sale, Conversion, Construction of Housing Units
- Homeownership Assistance
- Infrastructure for housing as part of redevelopment
- All Units must be occupied by those meeting the low- and moderate-income requirement.

**Area Benefit Activities:** Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

- Grantees must identify the service area of each NSP-funded activity.
- HUD will provide data on the percentage of low-, moderate- and middle income persons, by census tracts and block groups.
  
• Demolition, Acquisition, Lank Banks if maintenance and demolition also take place
• No use of the “upper quartile” provision for exception criteria communities.

Limited Clientele Activities: Serving a limited clientele whose incomes are at or below 120% of area median income (LMMC).
• Housing counseling for prospective purchasers/tenants
• Public facilities such as emergency shelters, group homes

(C) Meeting the 50% of area median income requirement:
• The requirement applies to each grant, not to the NSP program as a whole, nor each project or activity, nor each sub-recipient.
• Compliance based on dollars, not number of units
• Principal way to comply will be through rental housing:
  • New construction or conversion
  • Acquisition
  • Rehabilitation

2. PRIORITY FOR AREAS OF GREATEST NEED
   (Housing and Economic Recovery Act §2301(c)(2))
• In distributing NSP funds, grantees are to give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those—
  (A) with the greatest percentage of home foreclosures;
  (B) with the highest percentage of homes financed by subprime mortgage related loan;
  (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.
• HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult http://www.huduser.org/publications/commdevl/nsp.html

3. CONTINUED AFFORDABILITY
• Grantees shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and

http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspeligibleuses.doc
foreclosed upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301(f)(3)(A)(ii), to remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

- HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f), and 92.254 to be in minimal compliance with this affordability standard and expects any other standards proposed and applied by a grantee to be enforceable and longer in duration.

- If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosure or transfer in lieu of foreclosure pursuant to 24 CFR part 92, the grantee must revive the HOME affordability restrictions for the greater of the remaining period of HOME affordability or the continuing affordability requirements of this notice.

4. **TIMELY USE AND EXPENDITURE OF FUNDS**
   (Housing and Economic Recovery Act §2301(c)(1))

- Grantees must use NSP funds within eighteen months of receipt.

**Relevant Definition:**

*Use for the purposes of section 2301(c)(1).* Funds are used when they are obligated by a state, unit of general local government, or any sub-recipient thereof, for a specific NSP activity; for example, for acquisition of a specific property. Funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or sub-recipient during the same or a future period. Note that funds are not obligated for an activity when subawards (e.g., grants to sub-recipients or to units of local government) are made.

- A grantee will be deemed to have received its NSP grant at the time HUD signs its NSP grant agreement (or amendment thereto if funds are later reallocated to the grantee).

- Grantees must be expend on eligible NSP activities an amount equal to or greater than the initial allocation of NSP funds within four years of receipt of funds.

5. **INFORMATION FOR STATES**

- Unlike the CDBG program, states may distribute funds to or within any jurisdiction within the state (e.g. entitlement communities and Indian tribes) that is among those with the greatest need, even if the jurisdiction is among
those receiving a direct formula allocation of funds from HUD under the regular CBDG program or NSP.

- Also, unlike the State CDBG program, a state receiving NSP funds may carry out NSP activities directly for some or all of its assisted grant activities in the same manner that entitlement communities are permitted under 24 CFR 570.200(f). Such activities include, but are not limited to, carrying out activities using its own employees, procuring contractors, private developers, and providing loans and grants through nonprofit sub-recipients (including local governments and other public nonprofits such as regional or local planning or development authorities and public housing authorities).

II. ELIGIBLE USES

(Housing and Economic Recovery Act §2301(c)(3))

1. FINANCING MECHANISMS

§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

Relevant Definition:
Foreclosed. A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

- Financing mechanisms used to carry out CDBG eligible activities listed below.

2. PURCHASE AND REHABILITATION

§2301(c)(3)(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;

Relevant Definitions:
Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made
by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Current market appraised value. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, sub-recipient, developer, or individual homebuyer.

(A) Acquisition:

• Section 2301(d)(1) of HERA requires any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property.

• For mortgagee foreclosed properties, grantees must seek to obtain the “maximum reasonable discount” from the mortgagee, taking into consideration likely “carrying costs” of the mortgagee if it were to not sell the property to the grantee or sub-recipient.

• Section 301 of the URA, regarding just compensation, does not apply to voluntary acquisitions.

• All acquisitions of property under NSP require an appraisal for purposes of determining the statutory purchase discount.

• For individual purchase transactions, the purchase discount is to be at least 5% from the current market appraised value of the home or property.

• For purchase transactions in the aggregate, the average purchase discount depends on how the purchase discount for an individual property is determined.

  o The average purchase discount shall be at least 10% if the State, unit of general local government, or sub-recipient determines the discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5%).

    ▪ Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period.

    ▪ Carrying costs shall include, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.

  o If this methodology is not used, the minimum average discount shall be at least 15%.

• An NSP recipient may NOT provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to
pay the necessary and reasonable costs related to the appraisal and transfer of title.

- Grantees that are contemplating using NSP funds to assist an acquisition involving an eminent domain action are advised to consult legal counsel before taking action, as this may present problems with the Takings Clause of the Fifth Amendment to the U.S. Constitution and prior Supreme Court rulings.

- HUD is not specifying alternative requirements to the relocation assistance provisions at 42 U.S.C. 5304(d).

- Grantees are encouraged to acquire and redevelop FHA foreclosed properties. HUD provides information on such properties at http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm. Grantees may also contact their local HUD FHA office for further information.

(B) Rehabilitation

- Any rehabilitation of a foreclosed upon home or residential property shall be to the extent necessary to comply with applicable laws, codes and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. In their substantial amendment, grantees must define their housing rehabilitation standards that will apply to NSP assisted activities.

- Funds may be used for preservation, improving energy efficiency or conservation, or providing renewable energy source(s).
  
  - HUD encourages grantees to strategically incorporate modern green building and energy efficiency improvements to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer’s fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public parks or mixed residential and commercial use.

- Grantees may rehabilitate property to be operated as rental housing by the grantee, by a sub-recipient, by a lessee or by a purchaser. Grantees should note that the costs of purchase, rehabilitation, conversion and sale of such properties are eligible NSP activities, but the expenses of actually operating the rental housing (such as maintenance, insurance, deficits in monthly operating income) and tenant-based rental subsidies are not eligible NSP activities.
(C) **Sale**

- If an abandoned or foreclosed upon home or residential property is to be sold to an individual as a primary residence, no profit may be earned on such sale.

- Section 2301(d)(2) directs that the sale of such property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

- The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of property).

- In determining the sales price, HUD will NOT consider the costs of boarding up, lawn mowing, maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs.

- Each NSP-assisted homebuyer is required to receive and complete at least eight hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- Grantees must ensure that homebuyers obtain a mortgage loan from a lender who agrees to comply with the bank regulators’ guidance for non-traditional mortgages.

- Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate.

(D) **Correlated Eligible Activities from the CDBG Entitlement Regulations**

- 24 CFR 570.201
  - (a) Acquisition
  - (b) Disposition
  - (i) Relocation
  - (n) Direct homeownership assistance to persons whose incomes do not exceed 120% of median income.

- 24 CFR 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties. Note that rehabilitation may include counseling for those seeking to take part in the activity.
3. **LAND BANKS**

§2301(c)(3)(C) establish land banks for homes that have been foreclosed upon;

Relevant definitions:

*Land bank.* A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

**Land Bank Uses:**

- A land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements. HUD does not believe that holding property alone is sufficient to stabilize most neighborhoods.
- The grantee must determine the actual service area benefiting from a land bank’s activities.
- Grantees may pursue other Land Bank activities, however, NSP funds may only be used for acquisition.
- For more information on land banks and examples of best practices visit: [http://www.hud.gov/offices/cpd/about/conplan/foreclosure/landbanks.cfm](http://www.hud.gov/offices/cpd/about/conplan/foreclosure/landbanks.cfm)

**Correlated Eligible Activities from the CDBG Entitlement Regulations:**

- 24 CFR 570.201
  - (a) Acquisition
  - (b) Disposition

4. **DEMOLITION**

§2301(c)(3)(D) demolish blighted structures;

Relevant definition:

*Blighted structure.* A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.
General information:

- The national objectives related to prevention and elimination of slums and blight and addressing urgent community development needs (24 CFR 570.208(b) and (c) and 570.483(c) and (d)) are not applicable to NSP-assisted activities.
- NSP grantees will NOT be required to meet the requirements of 42 U.S.C. 5304(d) as implemented at 24 CFR 42.375, which mandates one-for-one replacement of low- and moderate-income dwellings units that are demolished or converted for activities assisted with NSP funds.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- 24 CFR 570.201 (d) Clearance, for blighted structures only

5. **REDEVELOPMENT**

- §2301(c)(3)(E) redevelop demolished or vacant properties
- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer’s fees, related to NSP-assisted housing, rehabilitation, or construction activities.
- New construction of housing and building infrastructure for housing is an eligible use.
- Grantees may redevelop property to be used as rental housing.
- Grantees are encouraged to acquire and redevelop FHA foreclosed properties. HUD provides information on such properties at [http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm](http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm). Grantees may also contact their local HUD FHA office for further information.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- 24 CFR 570.201
  (a) Acquisition
  (b) Disposition
  (c) Public facilities and improvements
  (e) 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
  (n) Direct homeownership assistance (for persons whose income does not exceed 120% of median income)

- 24 CFR 570.204 Community based development organizations
- New housing construction

6. **ADMINISTRATION AND PLANNING COSTS**
   (Housing and Economic Recovery Act §2301(c)(3))
   - An amount of up to 10% of an NSP grant provided to a jurisdiction and up to 10% of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.
   - For all grantees, including states, the 10% limitation applies to the grant as a whole.
   - There is no state match requirement for administrative costs as exists in the CDBG program.
   - Activity delivery costs, as defined in 24 CFR 570.206, may be charged to the particular activity performed above and will not count as general administration and planning costs.
   - **Pre-award Costs:** A grantee may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h). States may allow sub-recipients to incur pre-award costs pursuant to 24 CFR 570.489(h).

7. **OTHER USES**
   - If grantees would like to use funds for activities not specifically addressed, grantees must make a written request to their local HUD field office for approval. Such request must demonstrate that the proposed activity constitutes an eligible use under the NSP.
   - If not otherwise stated, if an activity is ineligible under CDBG, it is ineligible under the NSP program.
   - HUD will not consider requests to allow foreclosure prevention activities, such as refinancing mortgages and paying back taxes; or to allow demolition of structures that are not blighted; or to allow purchase of residential properties and homes that have not been abandoned or foreclosed upon as provided in HERA and defined in this notice.