

# Staying Abreast of Neighborhood Preservation Funding

*Triad Associates*

The Neighborhood Stabilization Program (NSP) is a federally funded initiative through the Department of Housing & Urban Development aimed at generating activity in the nation's troubled housing market. Through this program, each state has been allocated a certain amount of funding. In New Jersey, there were five communities that received set amounts of funding. The remaining funds were targeted at other communities statewide, as follows:

Bergen County: \$2.1 million

Union County: \$2.6 million

Jersey City: \$2.2 million

Newark: \$3.4 million

Paterson: \$2.3 million

Remainder of State: \$51.4 million

## **WHAT IS ITS PURPOSE?**

The purpose of the NSP is to assist communities experiencing the negative effects of the subprime mortgage crisis and general economic downturn. The program will provide affordable rental and homeownership opportunities to households at or below 120% of Area Median Income (AMI) in targeted areas affected by foreclosed and abandoned properties.

## **WHAT IS IT USED FOR?**

Only foreclosed and abandoned properties are available for investment of this funding.

Eligible uses include:

- Establishment of financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties;
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop those homes and properties;
- Establishment of land banks;

- Demolition of blighted structures; and
- Redevelopment of demolished or vacant properties.

### **HOW CAN WE ACQUIRE THE FUNDS?**

The New Jersey Department of Community Affairs (DCA) will issue a Request for Proposals (RFP) in late November in advance of its Action Plan submission to the Department of Housing and Urban Development (HUD) and HUD's approval of the plan. The RFP will be open to local governments, for-profit and non-profit developers and non-profit organizations. The response time for the RFP will be quick, so DCA will include maps showing the target areas and the available bank and municipal foreclosures within each eligible census block.

### **WHERE SHOULD WE USE THE FUNDS?**

The funds should be used in areas where the program will have the greatest impact. According to the DCA these areas are statistically at high risk of continued market deterioration but otherwise have attributes that can lessen the impact of foreclosures. Funds should be used in neighborhoods beginning to show decline – not chronically or severely depressed areas. Further, DCA states: "The highest and best use of NSP funds is in neighborhoods that have access to transit, affordable housing, employers and services, and where the remedies provided for under NSP have a good probability of stabilizing the local housing market." Priority emphasis should be areas with the greatest percentages of foreclosures, the highest percentage of subprime mortgages and those at risk of increased foreclosures. The area also should have at least 51% of residents with incomes at or below 120% the area median income and have a risk index score of 8, 9 or 10. Lastly, unless your community is part of a HUD approved HOME and Community Development Block Grant consortium, only one neighborhood can be identified in your plan.

### **HOW CAN WE MAKE BEST USE OF THE FUNDS?**

Funds must be used within 18 months from the time that HUD signs the grant agreement for NSP funds with the Community Development Block Grant grantee. With

this tight timeframe, it would be wise to forge partnerships to implement NSP funds in your community. A strong lead applicant coupled with experienced partners will lead to a strong comprehensive neighborhood stabilization program. Proposals that provide evidence of a working partnership will be viewed most favorably. Partnering with experienced banks and developers will give your application greater weight.

Leveraging resources is an additional important component of a successful program. Neighborhoods with existing community planning infrastructure and relevant counseling and economic assistance programs will be looked upon favorably. The inclusion of programs such as NPP and the Neighborhood Revitalization Tax Credit, as well as ongoing CDBG investments will strengthen your application, as will local foreclosure prevention programs and other community based assistance measures.

Applicants may be interested in targeting areas with a different demographic but high need in different ways. For example, areas that are seeing many units being converted to rentals may be considered “preservation areas,” where the primary activity would be to acquire foreclosed properties and resell them to encourage homeownership. Other areas that have significant homeownership and may be higher income areas could offer “opportunities for mixed income.” Another type of identified area could be a “shrinking neighborhood” which includes numerous vacant properties. Further, groups of foreclosed properties could be purchased and the area redeveloped through a combination of strategies including demolition, rehabilitation or redevelopment and resale.

The time to start planning is NOW. There will be a very quick turnaround for NSP funds. In addition to the determination of the project area, acquisition of partners and development of project scope, you will need to complete an environmental review. According to DCA, “successful proposals will allow the State to meet the federal environmental, State Historic Preservation, Continuum of Care and the Consolidated Plan requirements imposed by HUD”.

To view the New Jersey DCA Neighborhood Stabilization Program Action Plan, visit <http://www.state.nj.us/dca/dh/announcements/nspactionplan.pdf>.

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*Triad Associates is currently the League's Grant Consulting Firm. Their firm, which is known for its expertise in community and economic development, including strategic planning, redevelopment, acquisition, relocation and funding, has brought diverse plans and projects to life by generating more than \$580,000,000 for over 120 public, private and nonprofit clients throughout the Northeast region since 1978. Every member of the Triad team is personally committed and dedicated to the success of its clients and the projects that benefit communities.*