

FISCAL YEAR 2008

# Neighborhood Stabilization Program (NSP) Remaining 20% Funds

## REQUEST FOR PROPOSAL



OKLAHOMA DEPARTMENT OF COMMERCE  
COMMUNITY DEVELOPMENT

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**NEIGHBORHOOD STABILIZATION PROGRAM (NSP)  
REMAINING 20% FUNDS**

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NSP Remaining 20% Request For Proposal Checklist  
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## NEIGHBORHOOD STABILIZATION PROGRAM (NSP) REMAINING TWENTY PERCENT (20%)

The Oklahoma Department of Commerce/Community Development (ODOC/CD) will utilize the following timetable for the NSP Remaining 20% RFP submissions:

March 20, 2009	HUD Awards ODOC NSP Funds, 18 Month Timetable Begins
June 19, 2009	Remaining 20% NSP RFP's Released
July 17, 2009	Remaining 20% NSP RFP's Due to ODOC/CD
July 31, 2009	ODOC/CD Preliminary Review Complete
August 7, 2009	All ODOC/CD solicited RFP Corrections/Revisions Due
August 31, 2009	ODOC/CD Final Review Complete

### ***NOTICE***

*All Neighborhood Stabilization Program (NSP) information contained in this document is based upon the following sources:*

***Federal Register, Vol. 73, No. 194 / October 6, 2008***

*HUD NSP Website:*

[www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/)

*ODOC/CD NSP Website:*

[http://www.okcommerce.gov/index.php?option=com\\_content&task=view&id=2999&Itemid=855](http://www.okcommerce.gov/index.php?option=com_content&task=view&id=2999&Itemid=855)

*Due to the dynamic nature of the NSP, some information contained in this document may have been further amended under HUD regulation since the creation of this document. The information contained in this document is for basic overview purposes only and is NOT meant to be used as sole source guidance on the NSP program. All prospective recipients are responsible to ensure that they are following the most CURRENT NSP regulation.*

# NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

## **Background**

The Neighborhood Stabilization Program (NSP) will 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. The Neighborhood Stabilization Program provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The program is authorized under Title III of the Housing and Economic Recovery Act of 2008.

## **Purpose**

U.S. Housing and Urban Development (HUD) has allocated a total of \$3.92 billion to all states and particularly hard-hit areas trying to respond to the effects of high foreclosures. HUD's new **Neighborhood Stabilization Program (NSP)** will provide targeted 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.

The funding is provided through HUD's Community Development Block Grant (CDBG) Program under the Housing and Economic Recovery Act of 2008. These targeted funds will be used to purchase foreclosed homes at a discount and to rehabilitate or redevelop them in order to respond to rising foreclosures and falling home values.

State and local governments can use their neighborhood stabilization grants to acquire land and property; to demolish or rehabilitate abandoned properties; and/or to offer down payment and closing cost assistance to low- to moderate-income homebuyers (household incomes not exceed 120 percent of area median income).

In determining the allocations, HUD followed Congress's direction that grants be targeted to areas based on the number/percent of foreclosures, subprime mortgages and mortgage defaults and delinquencies. HUD took a data driven approach to this process, relying on numerous data sets from government agencies and private sources.

Congress directed that these grant funds be obligated for specific activities within 18 months. *The State's 18 month timetable officially began on March 20, 2009 when NSP Funding was awarded by HUD to the Oklahoma Department of Commerce.* This Congressional timetable may present challenges to state and local governments undertaking ambitious, and in some cases unprecedented, acquisition and rehabilitation activities. Meanwhile, HUD is actively encouraging local governments receiving direct grants to coordinate with each other, and with their state governments, to make most effective use of available funds.

The NSP Program also seeks to prevent future foreclosures by requiring housing counseling for families receiving homebuyer assistance. In addition, HUD seeks to protect future homebuyers by requiring States and local grantees to ensure that new homebuyers under this program obtain a mortgage loan from a lender who agrees to comply with sound lending practices.

Based on Oklahoma's Neighborhood Stabilization Plan as submitted to HUD, the State allocated fifty percent (50%) of the total funds to the NSP Entitlements, thirty percent (30%) to the Balance of State. The remaining twenty percent (20%) (\$5,853,892) of NSP funds was to be held for later distribution to eligible NSP Entitlements and Balance of State applicants who have demonstrated the capacity to effectively use all additional requested funds within the remaining NSP timeframe for completion.

## **NSP RFP Submission and Inquiries**

One (1) Remaining 20% NSP RFP with all pages numbered by section must be received at ODOC/CD by 5:00 P.M., July 17, 2009. An electronic copy of the RFP must also be submitted on CD along with the hard copy. *No modifications or corrections will be accepted after this date and time unless specifically requested by ODOC.*

For additional information and technical assistance, please contact Scott Myers at (405) 815-5356 or (800) 879-6552, extension 5356. Email: [scott\\_myers@okcommerce.gov](mailto:scott_myers@okcommerce.gov)

The completed RFP may be mailed to the following address:

**Oklahoma Department of Commerce  
Community Development  
Attn: Scott Myers  
900 North Stiles Ave.  
Oklahoma City, OK 73104-3234**

The Oklahoma Department of Commerce/Community Development reserves the right to verify all information and documentation received.

## **Eligible Applicants**

ODOC/CD has determined that under *Qualified Areas of Greatest Need*, any recipient of NSP funds must have within its geographic jurisdiction a Census block group with a HUD foreclosure and abandonment risk score of six (6) or higher. HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Census block groups listed as a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income were further used as a threshold for qualifying as an Area of Greatest Need. Approximately 1,900 individual block groups met this threshold out of 5,535 statewide. While determining Areas of Greatest Need, ODOC/CD identified two distinct areas of need (CDBG Entitlement & Balance of State). The CDBG Entitlements identified under this were: Edmond, Enid, Lawton, Midwest City, Norman, Oklahoma City, Shawnee, Tulsa, and Tulsa County.

The remaining universe of communities eligible for assistance was identified under 'Balance of State'. These eligible communities are listed on page five (5) of this Request for Proposal. Areas containing less than one (1) Census block group were removed from the Balance of State listing due to such factors as population size and need. Eligible communities are listed and further

broken down by Census tract and block group on the attached 'Eligibility by Census Tract and Block Group' sheet.

ODOC/CD cannot provide any further assistance to a jurisdiction in determining local areas of greatest need other than providing the eligible Census tract & block group information contained in this Request for Proposal. ODOC/CD considers the ability to further demonstrate area need as a determination of an applicant's capacity.

**NEIGHBORHOOD STABILIZATION PROGRAM (NSP)  
REMAINING 20% NSP ELIGIBLE**

\* NOTE Towns/Cities with less than one (1) Blk Grp have been removed

No	Town/City	County	Eligible Blk Grps	No	Town/City	County	Eligible Blk Grps
1	Ada	Pontotoc	8	45	Hartshorne	Pittsburg	4
2	Altus	Jackson	15	46	Healdton	Carter	4
3	Alva	Woods	5	47	Heavener	LeFlore	6
4	Anadarko	Caddo	10	48	Hennessey	Kingfisher	2
5	Antlers	Pushmataha	2	49	Henryetta	Okmulgee	7
6	Ardmore	Carter	14	50	Hobart	Kiowa	4
7	Atoka	Atoka	7	51	Holdenville	Hughes	6
8	Bartlesville	Washington	19	52	Hominy	Osage	7
9	Bethany	Oklahoma	22	53	Hugo	Choctaw	8
10	Blackwell	Kay	8	54	Idabel	McCurtain	10
11	Bray	Stephens	2	55	Kingfisher	Kingfisher	5
12	Bristow	Creek	5	56	Lindsay	Garvin	3
13	Broken Bow	McCurtain	7	57	Madill	Marshall	3
14	Brooksville	Pottawatomie	2	58	Mangum	Greer	4
15	Chandler	Lincoln	3	59	Marietta	Love	3
16	Checotah	McIntosh	7	60	Marlow	Stephens	6
17	Chelsea	Rogers	2	61	McAlester	Pittsburg	14
18	Cherokee	Alfalfa	2	62	Miami	Ottawa	12
19	Chickasha	Grady	18	63	Moore	Cleveland	15
20	Claremore	Rogers	7	64	Muskogee	Muskogee	31
21	Cleveland	Pawnee	3	65	New Cordell	Washita	3
22	Clinton	Custer	7	66	Newkirk	Kay	2
23	Coalgate	Coal	3	67	North Miami	Ottawa	2
24	Comanche	Stephens	4	68	Nowata	Nowata	8
25	Commerce	Ottawa	5	69	Oilton	Creek	2
26	Coweta	Wagoner	8	70	Okemah	Okfuskee	7
27	Cushing	Payne	12	71	Okmulgee	Okmulgee	18
28	Davis	Murray	4	72	Pauls Valley	Garvin	7
29	Del City	Oklahoma	26	73	Pawhuska	Osage	6
30	Dewey	Washington	5	74	Pawnee	Pawnee	3
31	Drumright	Creek	6	75	Perry	Noble	6
32	Duncan	Stephens	14	76	Picher	Ottawa	2
33	Durant	Bryan	9	77	Ponca City	Kay	17
34	El Reno	Canadian	13	78	Poteau	LeFlore	7
35	Elk City	Beckham	13	79	Prague	Lincoln	2
36	Empire City	Stephens	3	80	Pryor Creek	Mayes	8
37	Eufaula	McIntosh	3	81	Purcell	McClain	5
38	Fairfax	Osage	2	82	Sallisaw	Sequoyah	9
39	Fairview	Major	2	83	Sayre	Beckham	3
40	Frederick	Tillman	6	84	Seminole	Seminole	13
41	Geary	Blaine	2	85	Spencer	Oklahoma	6
42	Guthrie	Logan	11	86	Spiro	LeFlore	5
43	Guymon	Texas	4	87	Stigler	Haskell	3
44	Haileyville	Pittsburg	4	88	Stillwater	Payne	8

No	Town/City	County	Eligible Blk Grps	No	Town/City	County	Eligible Blk Grps
89	Stilwell	Adair	6	101	Watonga	Blaine	3
90	Stroud	Lincoln	3	102	Waurika	Jefferson	3
91	Sulphur	Murray	6	103	Waynoka	Woods	2
92	Tahlequah	Cherokee	9	104	Weatherford	Custer	5
93	Tecumseh	Pottawatomie	8	105	Wetumka	Hughes	2
94	The Village	Oklahoma	3	106	Wewoka	Seminole	6
95	Tishomingo	Johnston	3	107	Wilburton	Latimer	5
96	Tonkawa	Kay	4	108	Wilson	Carter	4
97	Vinita	Craig	6	109	Woodward	Woodward	11
98	Wagoner	Wagoner	11	110	Wynnewood	Garvin	2
99	Walters	Cotton	6	111	Yale	Payne	2
100	Warr Acres	Oklahoma	7	112	Yukon	Canadian	6

### **Grant Amount for Remainder of NSP Funds**

Twenty percent (20%) of NSP funds will be distributed based upon proposals from towns, cities, non-profits, and Native American Tribal Organizations, and CDBG Entitlements. If requests for more than twenty percent (20%) of funds are submitted, ODOC/CD will determine through a competitive process involving Areas of Greatest Need and demonstrated capacity to determine which proposals will be funded.

ODOC/CD anticipates that the amount of funds that can be requested will vary with area need and demonstrated capacity of the applicant. Due to targeting issues identified by HUD in the earlier NSP program funding rounds, ODOC/CD is requiring a **minimum of \$1,000,000** per proposal. All proposals must contain eligible activities located in ODOC/CD's targeted areas. As guidance for potential applicants, ODOC/CD recommends that applicants request funding amounts commensurate with:

- Cost of the project
- Consideration of other applications submitted statewide
- Need of the jurisdiction (HUD Risk Score and subprime lending activities)
- Capacity to carry out the proposed activities in a timely manner

<b>REMAINDER OF NSP FUNDS (20%)</b>	<b>TOTAL ODOC ALLOCATION (Rounded to Nearest Dollar)</b>		
<b>TOTAL</b>	<b>\$5,853,892</b>		

Due to the extremely tight timetable surrounding this final round of State NSP funding and stringent HUD targeting requirements, ODOC/CD has included the following requirements with the Remaining 20% RFP.

- The RFP grant request amount is set at a **Minimum of \$1,000,000** in order to maximize the use of remaining funds and provide greater neighborhood impact. Please note that cost estimates **MUST** be provided for each activity and accurately reflect the grant amount requested.
- RFP's must contain a minimum of five (5) housing units per targeted area in order to participate under this NSP funding round. Multi-jurisdictional applicants must meet this requirement in each jurisdiction in which they applying for NSP funding. County and Nonprofit applicants are required to limit activity to incorporated areas (towns, etc.). Again, the key to this program as defined by HUD is 'Neighborhood' stabilization.
- Targeted areas must identify each individual property (containing addresses) for which NSP funding is to be used. Unlike prior NSP rounds, there is not sufficient time for activities to be sought out. ODOC/CD is looking for applicants that have a definite plan in place and will be ready to commence activity upon contract award. As applicable, it is highly recommended that environmental review process has already been started.
- Demolition activities will be capped at 10% of total grant request unless demolition will directly result in replacement of the demolished housing unit.

### **NOTICE:**

*ODOC/CD reserves the right to adjust contracted amounts based upon actual performance and progress in order to maximize use of the funds within the initial 18 months of the program. ODOC/CD will evaluate the progress of each of the identified activity areas among Remaining 20% recipients after a period of sixty (60) days. NSP funds may be re-allocated by ODOC/CD among the activity areas in response to unacceptable progress in accomplishing the stated goals and commitment of funds in compliance with NSP requirements. ODOC/CD may identify additional activities, consistent with the needs analysis and eligible uses, and may amend the Program to incorporate such activities if funds can be obligated within the time required.*

## ELIGIBLE ACTIVITIES

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-and moderate-income homebuyers	<ul style="list-style-type: none"> <li>• As part of an activity delivery cost for an</li> <li>• eligible activity as defined in 24 CFR 570.206. Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.</li> </ul>
(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	<ul style="list-style-type: none"> <li>• 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation , and (n) Direct homeownership assistance (as modified below);</li> <li>• 570.202 eligible rehabilitation and preservation activities for homes and other residential properties.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> </ul>
(C) Establish and operate land banks for homes and residential properties that have been foreclosed upon	<ul style="list-style-type: none"> <li>• 24 CFR 570.201(a) Acquisition and (b) Disposition.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> </ul>
(D) Demolish blighted structures	<ul style="list-style-type: none"> <li>• 24 CFR 570.201(d) Clearance for blighted structures only.</li> </ul>
(E) Redevelop demolished or vacant properties	<ul style="list-style-type: none"> <li>• 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, and (n) Direct homeownership assistance (as modified below).</li> <li>• 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties.</li> <li>• 24 CFR 570.204 Community based development organizations.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> </ul>

# GENERAL NSP PROGRAM INFORMATION

## 1. LOW AND MODERATE INCOME REQUIREMENT

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

### 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. *Please note that the 2008 HUD Income Limits have been attached to this application in order to provide further assistance in determining 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>.

### 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

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Remaining 20% RFP

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- 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.

- 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.  
See <http://www.huduser.org/publications/commdevl/nsp.html>
- Demolition, Acquisition, Lank Banks if maintenance and demolition also take place

**Limited Clientele Activities:** Serving a limited clientele whose incomes are at or below 120 % of area median income.

- Housing counseling for prospective purchasers/tenants
- Public facilities such as emergency shelters, group homes

**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.

### 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 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. NSP-assisted housing must meet the affordability requirements for not less than the applicable period specified in the chart below, beginning upon project completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. They must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by ODOC/CD.

<b>Rental Housing Activity</b>	<b>Minimum Period of Affordability in Years</b>
Rehabilitation or acquisition of existing housing per unit amount of NSP funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New Construction or acquisition of Newly constructed housing	20

<b>Homeownership Assistance NSP Amount Per Unit</b>	<b>Minimum Period of Affordability in Years</b>
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

- 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))

- NSP funds must be in use within eighteen months. Timetable began on March 20, 2009 upon HUD award of NSP funding to ODOC/CD.

**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 sub awards (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. ELIGIBLE USES**  
(Housing and Economic Recovery Act §2301(c)(3))

**A. 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.

## **B. 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.

### **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 1% from the current market appraised value of the home or property.
- 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.

### **C. 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).
  - a. 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.
- 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.

### **D. 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.

#### Correlated Eligible Activities from the CDBG 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.

#### **E. 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,

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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.

Lank 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.
- For more information on land banks and examples of best practices visit: <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

**F. 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

## **G. 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>. 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

## **H. ADMINISTRATION AND PLANNING COSTS**

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

- ODOC will allow an amount of up to 7.5% of the NSP grant provided to a jurisdiction and up to 7.5% of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.

## **I. OTHER USES**

- ODOC reserves the right to seek the U.S. Department of Housing and Urban Development (HUD)'s determination of eligibility.

- 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

### **GUIDING PRINCIPLES:**

- Areas designated for NSP investment should be those that have experienced above average foreclosure or sub-prime lending activity, but that also have significant assets that will allow them to rebound with modest investment;
- Strategies should consider a balance of approaches that provide for affordable housing strategies, including rental and homeownership opportunities;
- Recipients should, to the fullest extent possible, partner with other stakeholders in order to conceive and implement comprehensive neighborhood revitalization strategies;
- Recipients should coordinate investment strategies in order to maximize and target neighborhood and housing impacts;
- Recipients must demonstrate specifically the intent to meet the requirement that not less than 25% of their NSP funds shall be used to serve families whose income does not exceed 50% of the Area Median Income (AMI).

Within the eligible activities as listed in the Request for Proposal, choices will need to be made between options such as acquiring property vs. allowing market forces to rebound without intervention, rehabilitation vs. demolition and sale, rental or lease purchase or other such program. Recipients are expected to demonstrate an understanding of the neighborhood market conditions in order to make sound decisions in these areas which will restore a functioning and vibrant housing market to targeted areas.

Because NSP funds are so limited, it will be imperative to use other local, state and federal as well as private resources in combination with these funds to foster sustainable neighborhood stabilization. Other programs that may be tapped in conjunction with NSP funds include, but should not be limited to:

- Foreclosure prevention programs
- Housing and credit counseling programs
- Code enforcement programs
- Homeowner rehabilitation programs

- Community lending programs
- Homeowner Assistance Programs such as down payment assistance & lease to own programs

The Neighborhood Stabilization Program focuses on areas of great need, but also expects that communities will target these resources in order to actually stabilize neighborhoods.

- Recipients should coordinate approaches to purchasing, renovating and reselling properties, maximizing discounts on the acquisition costs and minimizing redevelopment and disposition costs. NSP recipients are encouraged to negotiate with lenders or Realtors for REO portfolios for bulk purchases of identified properties.
- Recipients should address how they are working with local credit and housing counseling partners to ensure continued affordability;
- Any investment strategies should incorporate “green” and energy efficient approaches to building construction and land development;
- Recipients must demonstrate specifically the intent to meet the requirement that not less than 25% of their NSP funds shall be used to serve families whose income does not exceed 50% of the Area Median Income (AMI).

## **THRESHOLD CRITERIA FOR REVIEW OF APPLICATION:**

- COMPLETENESS OF APPLICATION (Accurate estimates reflecting overall totals)
- ELIGIBLE ACTIVITIES
- ELIGIBLE AREAS
- AT LEAST 25% BENEFIT FOR THOSE <50% OF AREA MEDIAN INCOME
- COMPLIANCE WITH ALL STATE AND FEDERAL RULES INCLUDING, BUT NOT LIMITED TO ENVIRONMENTAL REVIEW, FAIR HOUSING ETC.

## **PROPOSAL EVALUATION**

Proposals will be evaluated on the basis of Need and Capacity of the organization to implement the plan in the timeframe required.

**A COMPONENT OF THE DEMONSTRATION OF CAPACITY WILL BE THE ABILITY TO COMPLETE THE APPLICATION SUFFICIENTLY INCLUDING THE ABILITY TO:**

- FIND AND INTERPRET THE AVAILABLE DATA TO DETERMINE ELIGIBLE AREAS
- DEMONSTRATE TARGETING AND IMPACT
- DEMONSTRATE THROUGH SPECIFIC EXAMPLE SUCCESSFUL COMPLETION OF ELIGIBLE PROGRAM ACTIVITIES BY APPLICANT AND/OR SUBCONTRACTORS
- PRESENT A PLAN WITH ACTIVITIES THAT ARE GEOGRAPHICALLY PROXIMATE USING THE AVAILABLE NSP FUNDS IN CONJUNCTION WITH OTHER FUNDING TO DEVELOP A CONCENTRATED AND EFFECTIVE REDEVELOPMENT STRATEGY

## PROPOSAL SCORING

35 POINTS	TARGETED IMPACT AND NEIGHBORHOOD STABILIZATION
40 POINTS	CAPACITY AND READINESS TO EXECUTE PLAN ( <i>Note: As applicable, readiness can partly be exhibited by starting with the Environmental Review process.</i> )
5 POINTS	CONTINUED AFFORDABILITY
15 POINTS	PARTNERSHIP/LEVERAGE AND COORDINATION
5 POINTS	GREEN BUILDING

## **EXPLANATION OF SCORING CATEGORIES:**

### **1. TARGETED IMPACT AND NEIGHBORHOOD STABILIZATION:**

Priority will be given to those proposals that can demonstrate a strong connection to other neighborhood stabilization activities which are on-going in the area. The applicant should link NSP funded activities to foreclosure and abandonment problems caused by problematic mortgage lending activities.

### **2. CAPACITY AND READINESS TO EXECUTE PLAN:**

ODOC will give priority to eligible applicants that exhibit strong capacity to administer NSP in two manners:

Knowledge, implementation and compliance of activities funded through the CDBG Program. ODOC will also assess any significant monitoring findings or program weaknesses that are not addressed, as well as performance on CDBG contract closeout requirements.

Experience administering and delivering the specific activities for which the NSP funds would be used. If significant administrative responsibilities will be assigned to another entity via subcontract, the experience of that entity will be considered as well.

As applicable, readiness can partly be exhibited by starting with the Environmental Review process.

### **3. CONTINUED AFFORDABILITY:**

Applicant must clearly demonstrate the mechanisms that will be used to meet the continued affordability criteria as set out in Oklahoma's NSP plan as submitted to HUD and available at [okcommerce.gov](http://okcommerce.gov).

### **4. PARTNERSHIP/LEVERAGE AND COORDINATION:**

Connections should be made to other publicly and privately funded efforts in the area toward neighborhood stabilization. Scoring will be improved by demonstrating the use of NSP funds in conjunction with other programs and a larger strategy.

### **5. GREEN BUILDINGS:**

Points will be given for proposals that utilize Green Building components and techniques. The highest priority in this category will be given to those proposals that assure construction activities will meet national standards for Green Building, such as Leadership in Energy and Environmental Design (LEED) or National Association of Home Builders (NAHB) Green Building Program. Proposals that demonstrate use of energy efficient design and materials will also be given priority.