U.S. Department of Housing and Urban Development
Office of Block Grant Assistance

Neighborhood Stabilization Program

Purpose of NSP

COMMUNITY PLANNING & DEVELOPMENT

- NSP was originally created by the Housing and Economic Revitalization Act of 2008 (HERA), aka NSP-1
- NSP was created to mitigate the negative impact of the nation’s economic decline and housing market collapse
- The program is intended to stabilize and revitalize communities and areas hit the hardest by the foreclosure crisis

Why NSP was enacted

- What was happening in the market at the time
  - – Banking issues
  - – Foreclosure filings at record highs
  - – Tight credit markets
  - – Mortgage backed securities
  - – Unemployment on the rise
- Other aspects of HERA

Eligible Uses of NSP

- HERA established five eligible uses of NSP funds:
  - A. Establish financing mechanisms for purchase & rehabilitation of foreclosed homes
  - B. Purchase and rehabilitate homes and residential properties
  - C. Establish land banks for homes that have been foreclosed
  - D. Demolish blighted structures
  - E. Redevelop demolished or vacant properties

Source of NSP

- The original NSP allocation (now known as NSP-1) was $3.92 billion in funding distributed as entitlement grants (through a formula)
- $2 billion in funding for NSP-2 was enacted through the American Reinvestment and Recovery Act (ARRA) of 2009 distributed as a competitive grant
- $1 billion in funding through the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 distributed as entitlement grants

HUD’s ability to change

- HUD had to become more flexible
- Most policy guidance was being developed while grantees were trying to carry out the program
- HUD didn’t have a lot of time to provide training
- Most grantees didn’t have experience in purchasing and rehabilitating properties
- Uncertainty in the markets

Modification to existing

- Utilization of the CDBG program as the fall back
- Utilization and modification of the Disaster Recovery and Grant Reporting system to report and monitor the program
- Overhaul of the way Technical Assistance was assigned and carried out.
- As policies were being developed, they had to be refined even further

Evolution of the Program

- Short Sales now considered foreclosed
- NSP-3 requires deep targeting
- Requirements are expenditure-based, not obligation-based
- “Green” rehab standards apply, replace older, obsolete appliances and fixtures (see Attachment C of the Notice)
- Emphasis on local hiring
- Create a strategy for rental housing
- No infrastructure projects – only housing activities
- County grantees – grant is not just “Urban County”

Evolution of the Program

- There is now a cap of 10% on demolition (this may be waived by HUD with demonstrable need)
- Expenditures = $ grant funds expended PLUS $ program income expended = Amount to be compared with grant
- Layering of funds – for projects with multiple sources of funding, there are three acceptable methods to calculate NSP assisted units (multi-family projects only)

Program Design Considerations

- **Market:** understanding market conditions, is it gaining, steady, or losing people
  - Rehab/resale cannot work without demand
- **Local capacity:** government, non-profit, for-profit can all play a role
- **Other funds:** leveraging can improve impact, more homes, more areas
- **Target area:** factors above will dictate level of impact in any given geographical area
- **National "First-Look" Program** allows NSP grantees to preview recently foreclosed homes before they are listed on the market

Summary and Additional Resources

COMMUNITY PLANNING & DEVELOPMENT

- For a variety of resources, training materials, FAQs, etc. go to:

www.hudnsphelp.info

Questions?

Distribution of NSP

	NSP 1		NSP 2		NSP 3	
Region	# Grants	Amount	# Grants	Amount	# Grants	Amount
1 (CT/MA/ME/NH/ RI/ VT)	10	$158,249,715	2	$35,433,283	13	$38,019,981
2 (NY/NJ)	13	$164,314,098	4	$66,886,431	10	$31,476,489
3 (DC/ DE/ MD/ PA/ VA/ WV)	17	$222,261,857	6	$105,225,149	8	$33,057,212
4 (AL/ FL/ GA/ KY/ MS/ NC/ PR/ SC/TN/ VI)	79	$1,026,497,112	7	$293,612,500	88	$302,246,152
5 (IL/ IN/ MI/ MN/ OH/ WI)	81	$951,858,179	15	$610,670,364	59	$191,080,776
6 ((AR/ LA/ NM/ OK/ TX)	22	$288,989,988	4	$55,019,809	10	$38,038,242
7 (IA/ KS/ MO/ NE)	7	$127,036,714	0	$0	9	$30,431,485
8 (CO/ MT/ ND/ SD/ UT/ WY)	9	$151,053,033	1	$18,994,444	13	$42,349,269
9 (AS/ AZ/ CA/ GU/ HI/ MP/NV)	65	$742,820,011	12	$372,219,980	63	$243,000,392
10 (AK/ ID/ OR/ WA)	4	$86,959,293	1	$6,829,635	4	$20,000,000
Multistate	0	$0	4	$365,108,405	4	$300,002
Totals	307	$3,920,000,000	56	$1,930,000,000	280	$970,000,000

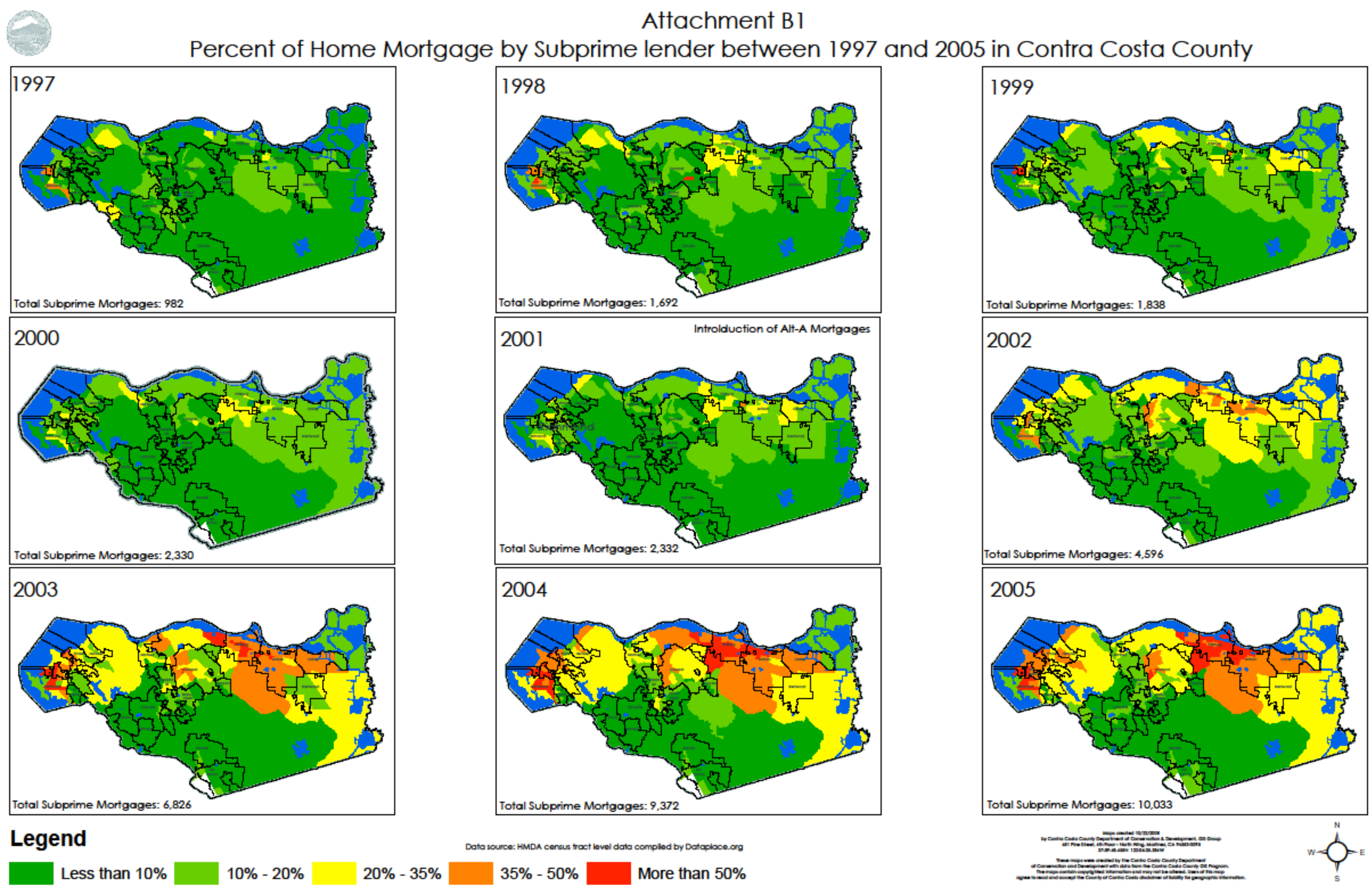
NOTES: There have been 643 NSP grants totaling $6,820,040,000 thus far
NSP 3 Multi-State are the 4 insular areas, amounts not yet specified

NSP in Region 9

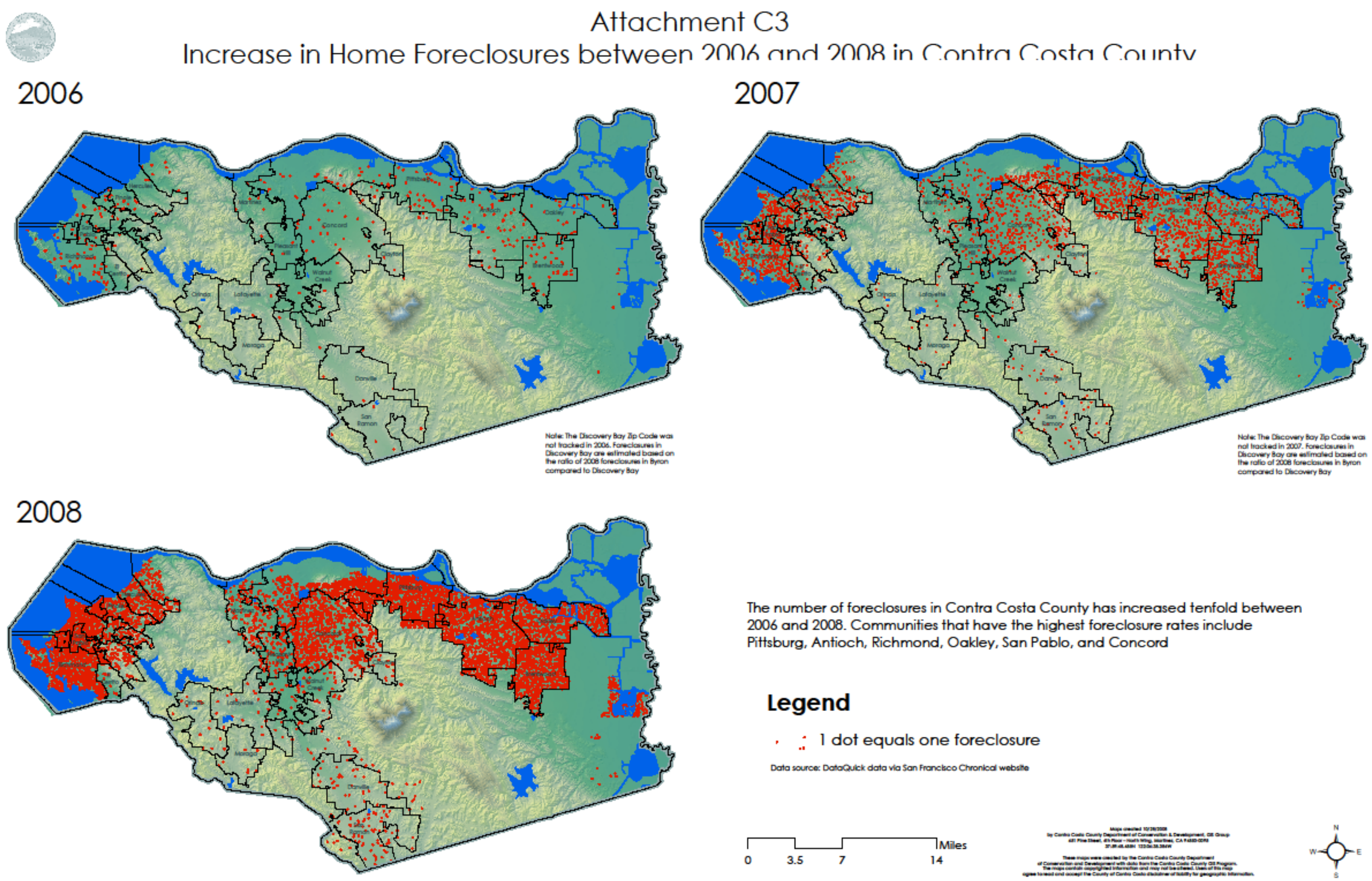
State	CPD Office	Field Office	NSP 1		NSP 2		NSP 3	
			# Grants	Amount	# Grants	Amount	# Grants	Amount
HI/AS/GU/MP	Honolulu	Honolulu	4	$20,164,836	0	$0	5	$5,300,002
CA	Los Angeles	Fresno	2	$20,194,221	0	$0	2	$8,522,964
		Los Angeles	7	$75,970,328	3	$182,249,980	7	$28,322,599
		San Diego	3	$17,416,594	0	$0	1	$1,708,780
		Santa Ana	17	$145,185,918	3	$25,810,000	17	$54,371,967
AZ	San Francisco	Phoenix	10	$121,119,049	2	$82,165,000	12	$45,377,073
CA	San Francisco	Fresno	6	$50,394,759	1	$25,000,000	8	$21,821,086
		Sacramento	4	$43,290,325	0	$0	4	$20,533,562
		San Francisco	8	$56,365,363	2	$36,000,000	7	$14,027,691
NV	San Francisco	Las Vegas	4	$192,718,618	1	$20,995,000	6	$43,314,670
AZ/CA/NV	HUD HQ	Various	0	$0	3	Portion of $368,655,774	0	$0
	Totals		65	$742,820,011	15	$372,219,980	69	$243,300,394
REGION 9 TOTALS			Number of NSP Grants: 149			NSP Funding: $1,358,340,385		

Contra Costa County Neighborhood Stabilization Program

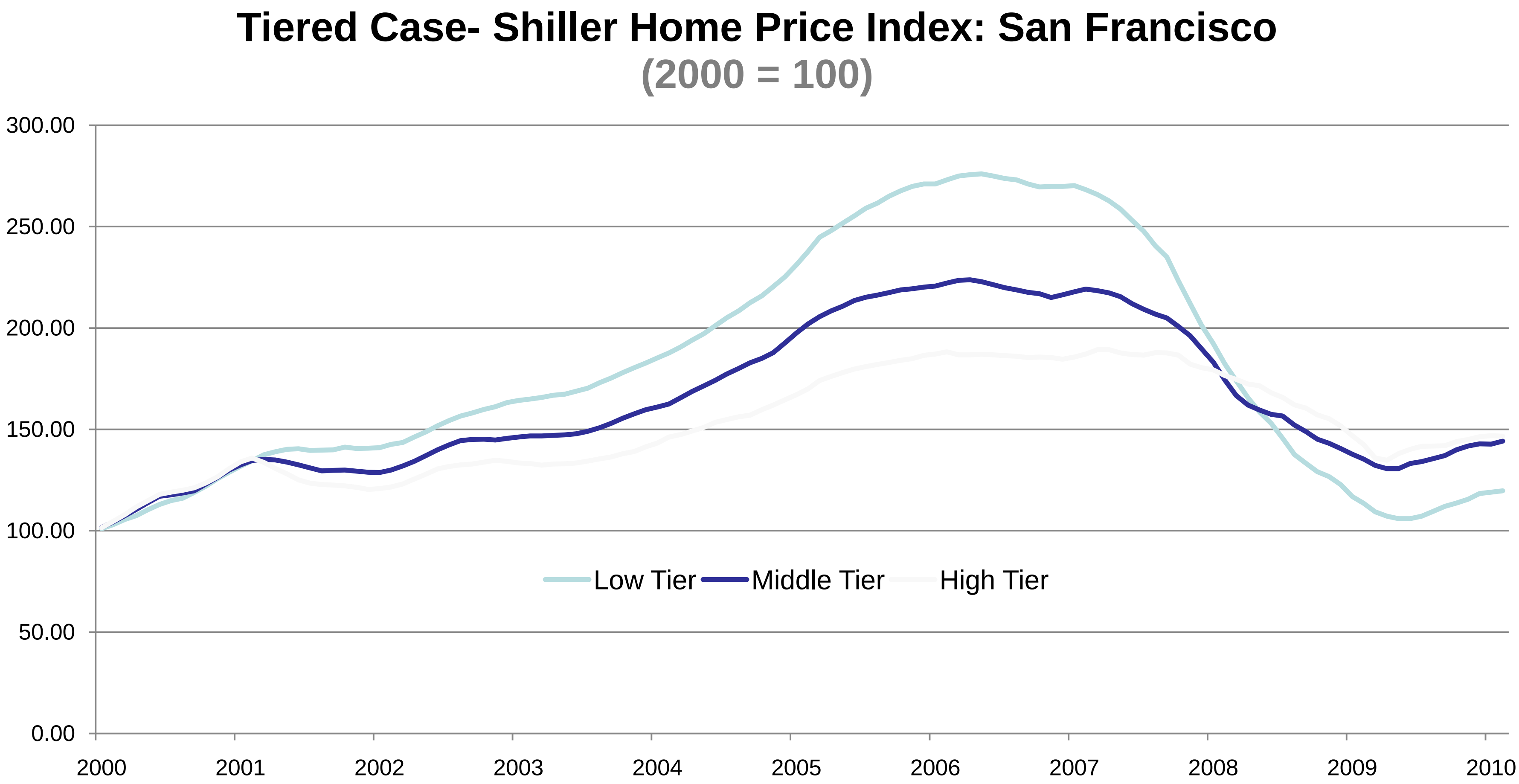
Contra Costa County Neighborhood Stabilization Program



Contra Costa County
Neighborhood Stabilization Program



Low Tier – Homes at the Bottom End of the Market Have Shown Greatest Price Volatility



Source: Case - Shiller Home Price Index

Contra Costa County Neighborhood Stabilization Program

Sold Feb. 2006 - $285,000

Sold Nov. 2009 - $ 45,000

After rehab value Feb. 2011 - $120,000

Contra Costa County Neighborhood Stabilization Program

Contra Costa County Neighborhood Stabilization Program

Contra Costa County
Neighborhood Stabilization Program

NSP CHUTES AND LADDERS

GREEN: UP THE LADDER

RED: DOWN THE CHUTE

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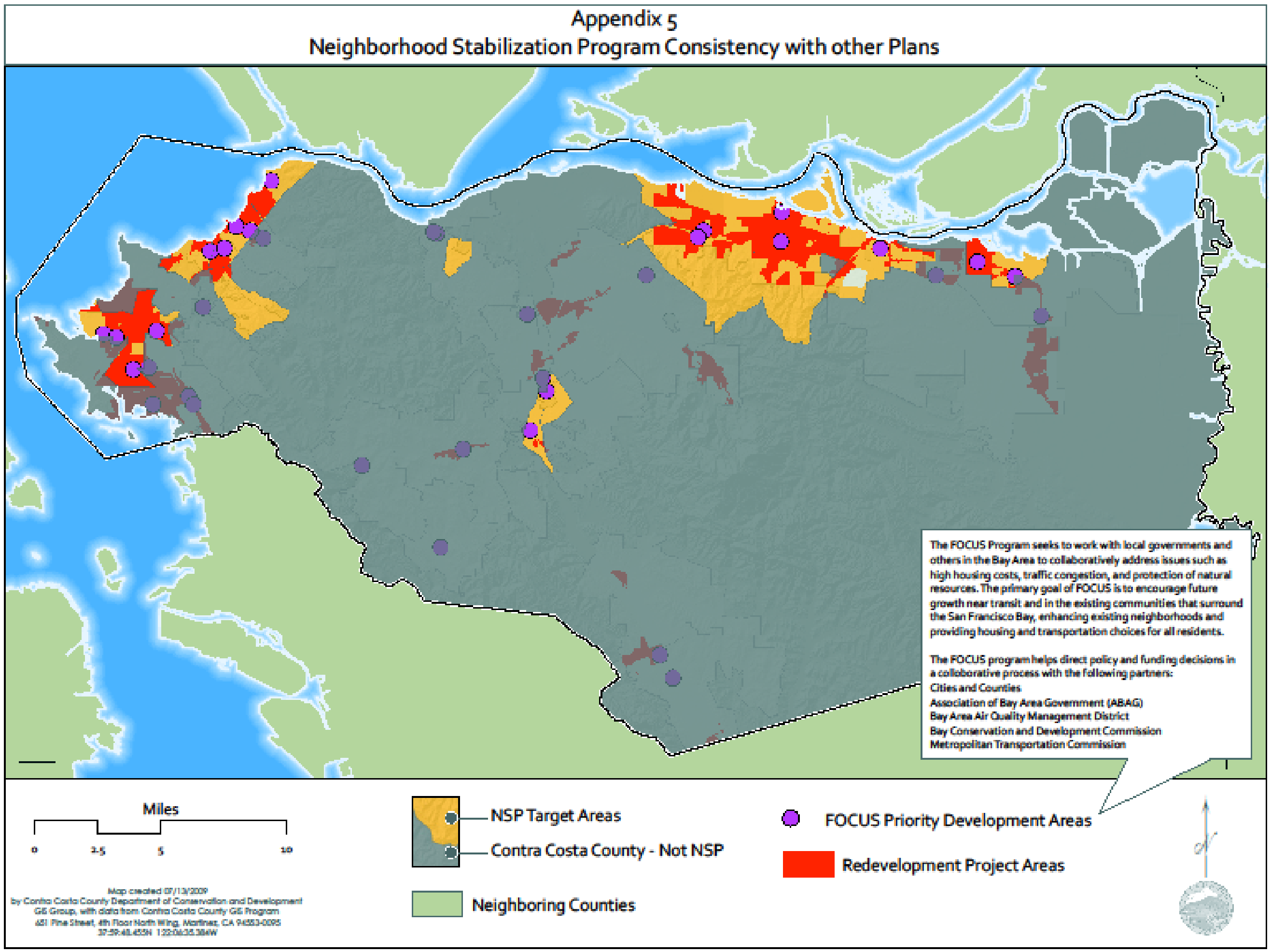
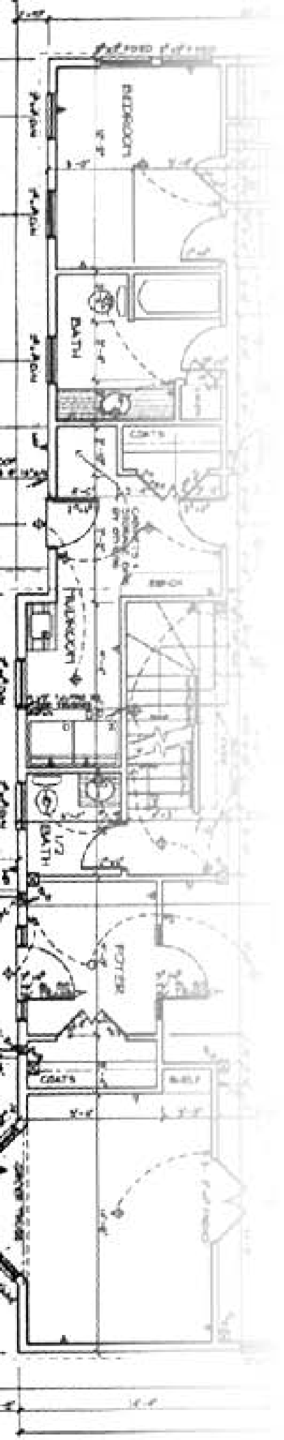
1) Receive Money
4) Establish Policy and Procedures
8) No Copies of "No Eminent Domain" Memo
10) Buy a Foreclosed Home
14) Rehab Specification Manual
16) Add Green and/or Energy Efficient Components
19) Not Going TO SHPO
20) Complete Rehab of Home
24) Continue Buying, Rehabilitating, and Selling Homes
29) Attend NSP Workshop
30) Finalize Homebuyer Loan Documents
31) No Certificate of Non-Displacement
37) Don't Buy At A Discount Price
31) Sell Home To Eligible Buyers
43) Approaching deadline
44) Challenges to Purchasing Home
47) Loss of Money

Contra Costa County
Neighborhood Stabilization Program





goldfarb lipman attorneys

REDEVELOPMENT:

CALIFORNIA'S PRIMARY COMMUNITY REVITALIZATION AND AFFORDABLE HOUSING PROGRAM ON THE BRINK OF ELIMINATION

Presentation For The

Berkeley Program On Housing And Urban Policy

April 22, 2011

John T. (Jack) Nagle

Goldfarb & Lipman LLP

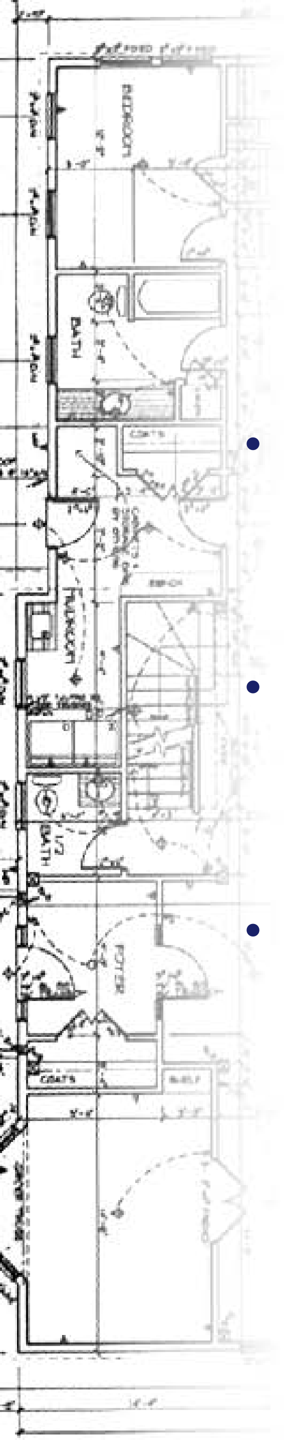
1300 Clay Street, 11th Floor, Oakland, CA 94612

(510) 836-6336

jnagle@goldfarblipman.com

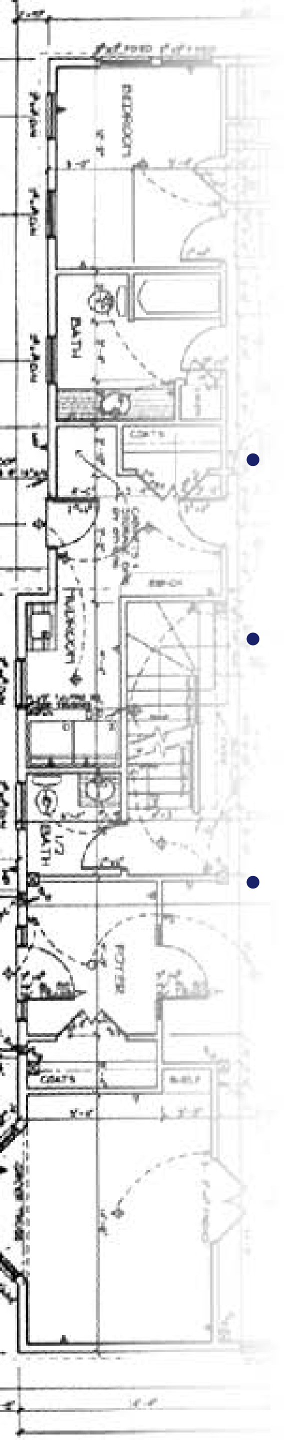
CALIFORNIA REDEVELOPMENT OVERVIEW

- Redevelopment is a 60-year old locally implemented Statewide program to revitalize distressed urban areas
- Redevelopment combines powerful legal and financial tools to fulfill an evolving set of state and local community development objectives that address changing physical, social and economic conditions
- Redevelopment is intended to partner with and facilitate private sector reinvestment by performing functions and filling financial gaps that the private market cannot or will not satisfy in distressed/dysfunctional urban areas
- Redevelopment is often used in tandem with changing Federal programs for urban revitalization and affordable housing



CALIFORNIA REDEVELOPMENT OVERVIEW, continued

- Since Proposition 13 (1977), redevelopment has engendered growing tension among local governments and between the State and local decision-making levels
- A recent chain reaction of events precipitated by State and local budget crises has led to Governor Brown's 2011-12 budget proposal to eliminate redevelopment
- Will redevelopment as a tool for community revitalization and affordable housing be lost (and perhaps partially replaced) or significantly refocused, reformed and trimmed down to serve 21st century California urban policy needs for sustainable and equitable communities?



HOW REDEVELOPMENT WORKS

- Every city and county may activate a separate redevelopment agency
- Redevelopment plans may be adopted setting forth a program to revitalize a designated project area with demonstrated physical and economic problems (blight)
- To implement a redevelopment plan for a project area, a redevelopment agency is granted a range of legal and financial tools to overcome the demonstrated physical and economic problems over an extended period

HOW REDEVELOPMENT WORKS, continued

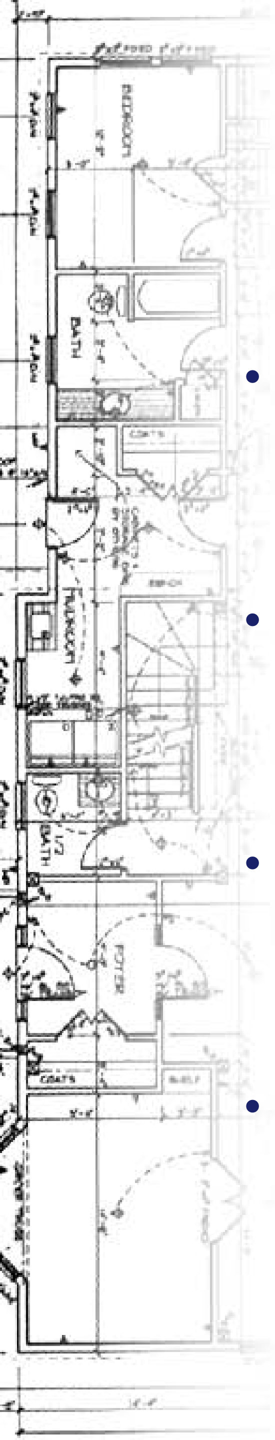
- Tax increment is the unique financial tool of redevelopment that allocates the bulk of growth in project area property taxes to the redevelopment agency to fund the redevelopment program

- Tax increment is used to support affordable housing (20%), other local governments serving the project area (typically 20-30%), and non-housing redevelopment activities

- Tax increment financing is viewed from different policy perspectives by the local community implementing the redevelopment program, other local governments providing services to the community, and the State of California

HOW REDEVELOPMENT WORKS, continued

- Redevelopment agencies use their special financial and legal tools to:
  - Assemble land for disposition to more productive private sector uses
  - Fund public infrastructure improvements
  - Remediate brownfields properties
  - Provide other assistance and incentives to private developers and property owners



EVOLVING REDEVELOPMENT PURPOSES/USES

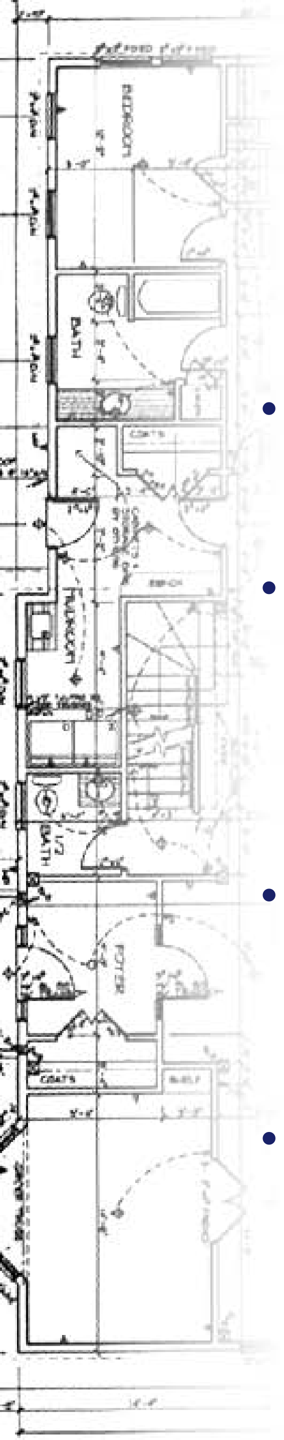
- Initial uses of redevelopment focused on removing blight in declining large city urban cores, often in tandem with Federal urban renewal (late 1940's to early 1960's)
- Mid-size inner suburban cities began to use redevelopment to revitalize distressed neighborhood commercial districts and residential areas (1960's/70's)
- Provision of affordable housing became a state-mandated purpose of redevelopment in the mid-1970's and has consistently grown in emphasis
- As a result of Proposition 13 (1977), suburban communities began to use redevelopment to pay for basic public infrastructure and to compete for sales tax-generating and low fiscal impact land uses

EVOLVING REDEVELOPMENT PURPOSES/USES, continued

- In the early 21st century, progressive redevelopment agencies are:
  - Embracing the role of providing affordable housing to create vibrant, diverse communities and eliminate physical and economic problems of troubled neighborhoods
  - Facilitating job generating economic development in key sectors for California's future
  - Assisting transit-oriented, infill mixed use developments with significant affordable housing in support of AB 32 climate change policies and the SB 375 regional sustainable community strategy process

REDEVELOPMENT AND FEDERAL URBAN/AFFORDABLE HOUSING PROGRAMS

- Through the decades, communities have used state redevelopment tools and programs to support and complement changing Federal programs for urban revitalization and provision of affordable housing, including:
  - Urban renewal (late 1940's to early 1960's)
  - Model Cities (mid-1960's)
  - Community Development Block Grants (early 1970's to present)
  - Urban Development Action Grants (late 1970's)
  - Low Income Housing Tax Credits (mid-1980's to present)
  - Other HUD Affordable Housing Programs (Section 202 and 811 Rental Housing, HOPE VI)
  - Neighborhood Stabilization Program



REDEVELOPMENT TODAY

- Nearly 400 active redevelopment agencies administer approximately 750 redevelopment project areas
- Redevelopment agencies receive over $5 billion of tax increment revenue and over $8 billion of total revenue each year, and have approximately $30 billion of outstanding long-term debt
- Statewide, tax increment revenue receipts by redevelopment agencies account for about 12% of total local property tax revenue
- According to the California Redevelopment Association, redevelopment agencies generate approximately 300,000 jobs annually

REDEVELOPMENT TODAY, continued

- Redevelopment agencies deposit and spend more than $1 billion annually for affordable housing
- In the most recent reporting year available (2007-08), redevelopment agencies provided housing fund assistance to:
  - Nearly 20,000 households, of which 49% were very low income (less than 50% of area median), 31% were low income (less than 80% of area median), and 17% were moderate income (17% of area median)
  - Nearly 7,000 affordable units, including 6,007 new units, 520 substantially rehabilitated units, and 312 existing units placed under long-term affordability covenants

PERCEIVED REDEVELOPMENT PROBLEMS, ABUSES AND POLICY CONCERNS

- In a huge state with diverse needs, a locally operated community development program involving 400 separate agencies results in both creative, flexible solutions tailored to individual community needs, as well as waste, mismanagement and abuse in some communities, including:
    - Excessive expenditures for local government personnel not directly related to redevelopment functions
    - Slowness of expenditures for affordable housing
    - Abuses in acquiring private property for developer reuse
    - "Sweetheart" deals with private developers
    - Failure to properly account for funds and expenditures

PERCEIVED REDEVELOPMENT PROBLEMS, ABUSES AND POLICY CONCERNS, continued

- Redevelopment also generates considerable public policy debate concerning:
  - Whether redevelopment actually generates net new assessed valuation and jobs to the State or simply redirects property tax and job growth that would occur anyway
  - Whether redevelopment's share of property tax has grown too large and has distorted the appropriate allocation of property taxes away from other local governments and the State (through increased education subsidies)
  - Whether the State can "afford" redevelopment in an era of severe structural budget crises

GOVERNOR BROWN'S BUDGET PROPOSAL TO DISSOLVE REDEVELOPMENT

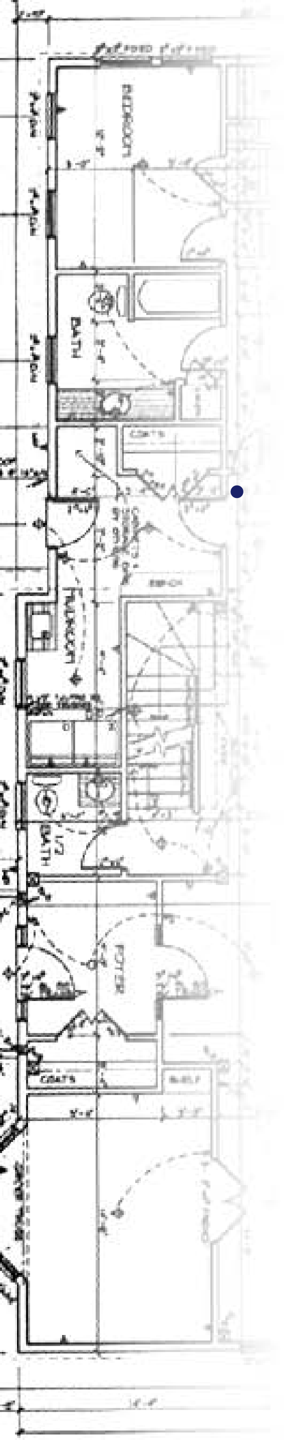
- The Governor's budget proposal is part of an escalating chain of actions by the State and local governments in response to the Great Recession's impact on their budgets, including:
  - State takeaway of $350 million of tax increment to help balance State budget in 2008-09, followed by successful redevelopment agencies' lawsuit to invalidate this takeaway
  - State takeaway of a combined $2.05 billion of tax increment to help balance State budget in 2009-10 and 2010-11, which was upheld at trial court level and is on appeal
  - City/redevelopment agency-backed initiative (Proposition 22) approved by voters in November 2010 to prevent future State takeaways of tax increment

GOVERNOR BROWN'S BUDGET PROPOSAL TO DISSOLVE REDEVELOPMENT, continued

- In his January 10, 2011 proposed 2011-12 annual budget, Governor Brown proposed:
  - Dissolution of redevelopment agencies on July 1, 2011
  - Creation of local "successor agencies" to wind up the affairs of former redevelopment agencies, repay existing debts of former redevelopment agencies, and liquidate existing assets of former redevelopment agencies
  - In 2011-12, Governor estimates that $1.7 billion would be freed-up from tax increment that otherwise would have been claimed by redevelopment agencies to cover roughly 6.5% of the estimated $26 billion State budget deficit

GOVERNOR BROWN'S BUDGET PROPOSAL TO DISSOLVE REDEVELOPMENT, continued

- In his January 10, 2011 proposed 2011-12 annual budget, Governor Brown proposed (continued):
  - In succeeding years, freed-up former tax increment and liquidation of former redevelopment agency assets would yield a growing revenue stream to be redirected to schools (for enhanced school services) and other local governments (as a revenue support for realigned criminal justice, health and welfare functions that would be transferred from State to local level of delivery)



OTHER VISIONS FOR REDEVELOPMENT'S FUTURE

- As opposed to outright elimination of redevelopment tools and resources, a strategy could be developed that:
  - Re-purposes redevelopment to focus on key Statewide 21st century community development needs, including:
    - Greater focus on provision of affordable housing
    - Promoting economic development and job growth in key State economy sectors, such as green technology, renewable energy, and port and transportation industries and infrastructure
    - Achievement of AB 32 greenhouse gas emission reductions, through redevelopment of in-fill sites consistent with the regional SB 375 Sustainable Community Strategy
    - Remediation and reuse of brownfields sites for the above purposes

OTHER VISIONS FOR REDEVELOPMENT'S FUTURE, continued

- As opposed to outright elimination of redevelopment tools and resources, a strategy could be developed that (continued):
  - Reforms redevelopment to prevent major perceived abuses and limit the initiation of new redevelopment plans and project areas to those that meet the above Statewide purposes
  - Redirects a portion of redevelopment tax increment to address structural budget problems of the State and local governments
  - Develops new tools and resources for urban development, economic development and affordable housing to gradually take over traditional redevelopment activities that remain essential to a healthy and diverse State