

NEIGHBORHOOD STABILIZATION PROGRAM BRIEFING

October 28, 2008

NSP – Neighborhood Stabilization Program

- Passed Congress as part of Housing & Economic Recovery Act of 2008 – July 30, 2008
- State of Colorado will receive \$53 million of \$3.92 billion set aside for stabilizing neighborhoods.
- Allocations were based on:
 - Number of Foreclosures
 - Number of sub-prime loans
 - Number of delinquent mortgages
 - Number of vacant and abandoned properties
- \$53 million to Colorado divided as follows:
 - \$34 million – Colorado Department of Local Affairs – Division of Housing
 - \$6 million – City and County of Denver
 - \$4.6 million – Adams County
 - \$4.5 million – City of Aurora
 - \$3.9 million to the City of Colorado Springs

Eligible Uses of Funds

- Purchase and/or rehabilitation of foreclosed residential properties
- Purchase and/or rehabilitation of abandoned residential properties on which mortgage payments or property taxes have not been made and are delinquent by more than 90 days.
- Demolition of blighted structures which meet local governments definition of blight
- Establishment of land banks for residential foreclosed properties
- Establishment of financing mechanisms for purchase and redevelopment of foreclosed residential properties, such as down-payment assistance, shared equity loans, soft seconds, and loan loss reserves.
- Pre-purchase homebuyer counseling
- Specifically precludes Foreclosure Prevention Counseling

Timelines

- Must post preliminary plan on website for public comment by November 15, 2008.
- Must schedule and hold public hearings for public comment before official plan submission
- Must submit formal plan to HUD by December 1, 2008
- HUD has 30-45 days to accept plan or ask for revisions
- Once plan is approved HUD will formally award funds to state
- Once funds formally awarded State has 18 months to formally obligate funds to eligible activities
- All funds not formally obligated will be returned to HUD

Guidelines

- 25% of funds must be allocated for the benefit of those earning less than 50% of AMI
- Remainder of funds can benefit those earning less than 120% of AMI
- Recipients of funds can undertake a joint request for funds or operate a program as part of an existing entitlement jurisdiction
- Recipients must use funds in areas of greatest need regardless of whether the area received its own allocation
- Recipients may distribute NSP funds to projects rather than working through units of local government
- Recipients may incur and be reimburse eligible NSP pre-award costs
- NSP funds can be combined with CDBG funds and other funding resources
- No matching requirement
- Recipients may continue to use or keep any and all program income prior to July 30, 2013, after said date all funds return to HUD
- There must be an appraisal on all purchases

- Each purchase must show a maximum reasonable discount – entire purchase portfolio must show an average of at least 15% below appraised value discount
- Must meet continued affordability guidelines of 5-15 years.
- Resale of properties cannot exceed original purchase plus costs to rehab

Goals For The State

- Strategically Strengthen Neighborhoods
 - Different strategies for different neighborhoods
 - Restore equilibrium
- Combining and Leveraging Resources
 - HOME, CDBG, Mineral Impact, General Fund, Private Activity Bond
 - Down payment assistance, rehabilitation, purchase and rehabilitation of multi-family units, demolition
- Collaboration
 - Other State Recipients, Adams County, Aurora, Colorado Springs, Aurora
 - Realtors, Appraisers, Title Companies, Inspection Companies, Commercial Lenders, Community Development Financing Institutions, other professional services
 - Heightened Communication – Best practices, not duplicating efforts or bidding against one another
 - Common database for information collection and tracking
- Meeting Low Income Goals
 - 25% of funds need to serve populations below 50% AMI
 - Purchase of Multi-family units
 - Community Land Trust
 - Self Help Housing
- Long term affordability
 - First Right of Refusal on Resale after hold
 - Community Land Trusts
 - Non-profits.

$\$34,000,000 \times .90$ (less 10% administrative fee) = $\$30,600,000$.

Metro Denver AMI = $\$71,800.00 \times 1.20\%$ = $\$86,160$

Average Purchase Price of Home In Denver Metro Area = $\$230,000$

Average Purchase Price $\$230,000 \times 15\%$ discount (required by NSP) = $\$195,500$

Average Rehabilitation + marketing/holding costs 15% = $\$230,000$

$\$30,600,000$ (funds) / $\$230,000$ (average sales price) = 133 properties

4,000 completed foreclosures the first half of 2008. = 12,000 completed foreclosed properties for 18 months
 $133 \text{ properties} / 12,000 \text{ foreclosed properties} = 1\%$ impact in 18 month period of time.

Average Fair Market Rent for Denver Metro Area = $\$1265/\text{month}$ – costs and vacancy = $\$1200/\text{month}$ net rent

$\$1200$ net rent $\times 12$ months = $\$14,400/\text{year} \times 4$ years = $\$57,600 \times 133$ properties = $\$7,660,800$ program income

$133 \times \$230,000 = \$30,600,000$ – due upon resale

$\$230,000 \times 2\%$ appreciation per year

End year 1 = $\$234,600$

End year 2 = $\$239,292$

End year 3 = $\$244,077$

End year 4 = $\$248,959$

$\$18,959$ in value gain on each property $\times 133 = \$2,521,600$ in long term affordability property value