



## **Competitive Application Requirements for the Neighborhood Stabilization Program (NSP) in the NSP2 NOFA – Released May 4, 2009**

### **Summary and Overview**

On May 4, 2009, HUD released the Notice of Fund Availability (NOFA) for the second round of the Neighborhood Stabilization Program (NSP2), as appropriated in the American Recovery and Reinvestment Act (ARRA) of 2009. Unlike the first round allocation of NSP, the second round will be determined through a competitive process. HUD will award \$1.93 billion in NSP2 funding through the competition.

Below is a preliminary summary of the requirements to apply for funding under the NSP2 program as described in the NOFA. Please refer to the full NOFA for more details: <http://www.hud.gov/recovery/nsp2-nofa.pdf>.

#### **Key Dates**

- May 4<sup>th</sup> – NOFA (Notice of Fund Availability) issued
- July 17<sup>th</sup> 5:00 PM EST – NSP2 application for general funding due to HUD
- December 1<sup>st</sup> – last date for HUD to notify all selected applicants
- February 17<sup>th</sup> – last date for HUD to make funds available

#### **Eligible Applicants**

State governments, units of general local government, nonprofit entities, and consortium of state governments, local governments or nonprofits are all eligible applicants; for-profits may also apply as part of a consortium. There are specific requirements for the different types of eligible applicants:

##### All Applicants

- No entity can be the lead on more than one NSP2 application.
- No entity is permitted to be an applicant under more than one proposal for a particular target area.
- Organization capacity- applicants must indicate that they will be able to expend the NSP2 funds in the required timeframe and prove that they have successfully carried out and completed NSP2-like activities for at least 75 units of housing in the last 24 months. A score of 30 out of 40 on Factor 2 – Demonstrated Capacity of Applicant and Relevant Organizational Staff – is also necessary to be considered as having met the capacity threshold.

##### Nonprofit Applicants

- Must provide evidence of nonprofit status. The evidence can be an IRS ruling, 501 (c) status, or similar documentation – letter for state attorney general, etc.
- HUD includes governmental entities – states, housing authorities, local governments, Indian tribes, etc. – under the definition of nonprofits, defining them as public nonprofits.

##### For-Profit Applicants

- For-profits cannot submit an independent application; they must be part of a consortium.
- A firm letter of commitment from each for-profit is required and must be included in the application.
- Before funds are given to a for-profit member of a consortium, a cost analysis must be conducted.

##### Consortium Applicants

- One organization must be the lead. The lead submits the application, executes the grant agreement with HUD, and is responsible for compliance.
- The application for a consortium must reflect the programs of the individual members as a single integrated program. Descriptions of individual programs within the larger program will not be scored separately.



Individual descriptions of the members of the consortium are permitted in the section of the application responding to Factor 2.

- All members must be listed in the application, all must prove status – nonprofit, local government, etc. – and all must sign two agreements:
  - The consortium agreement – must be included with the application, must state that the partners will cooperate on NSP2, must identify the lead organization, and must state that a funding agreement will be established by December 1<sup>st</sup>.
  - The funding agreement – can be completed after HUD selects the application for funding, but before the grant is made. The lead member must enter into separate funding agreements with each member that describe consortium members' specific activities, time tables, and other requirements.

### **Application Requirements**

- Minimum size – each application must be for at least \$5 MM and have an impact of returning 100 abandoned or foreclosed properties to productive use or eliminating their blighting influence.
- Geographic targeting – the application must indicate the target area; the area can be a single neighborhood, city-wide, regional or national. All targeted census tracts must have a need score of 18 or higher for either of the two scores HUD has provided. HUD will provide a website to help select target tracts.
- Minimum score – a score of 115 out of 150 will be necessary for an application to receive funding.
- Include certifications – each applicant must execute and submit the correct set of certifications, tailored for states, local governments, Tribes, or for non-governmental entities – listed in Appendix 4 of the NOFA.

### **Competitive Factors**

All technically complete applications that also meet required thresholds will be scored based on 6 factors, receiving a score between 0-150 points. Funding will be provided in order of ranking by score, although HUD may choose to fund less than the total requested in an application. In addition to the 6 factors, an applicant's past performance managing funds will also be considered when scoring the application.

#### Factor 1: Need/Extent of the Problem (40 pts)

- Target geography (10 pts - also a required threshold) –
  - Identify target area by census tract and show both of HUD's stabilization index scores for each tract. HUD will provide access to a website with stabilization index scores for each census tract to assist applicants with identifying target tracts.
  - Describe the nature and extent of the need that includes discussion of local housing market conditions, credit and employment needs and how these factors relate to one another.
- Market Condition (30pts) –
  - Estimate the extent to which the market will absorb abandoned and foreclosed properties in your target area, include a projection of the absorption rate and how many months of inventory are currently on the market in the target area.
  - Provide a narrative description of the income characteristics of households in the target area, information on the housing cost burden, and the cause of the problem (over-building, over-valuation, loss of employments, etc.).

#### Factor 2: Demonstrated Capacity of Applicant and Relevant Organizational Staff (40 pts)

- Past Experience (30 pts) – describe recent experience, in the past 24 months, managing neighborhood stabilization activities similar to those covered in the notice – describe tasks undertaken, results, and specific skills.
- Management Structure (10 pts) – describe your management structure and provide an organizational chart of all key management positions and the names of staff, as well as two references for recent similar work.

#### Factor 3: Soundness of Approach (45 pts)

- Proposed Activities (15 pts) –



- Describe the overall neighborhood stabilization program and each proposed activity in a narrative that addresses how and when the program will result in a stabilized housing market – include related activities that are funded by non-NSP sources.
- Discuss how funds will be divided among the different activities and who will be responsible for each activity.
- Project Completion Schedule (5 pts) – provide a timeline that includes milestones in each month and the expected metrics and results for each activity for each proposed activity.
- Income Targeting for 120% and 50% AMI (5 pts) – describe how your NSP2 activities will meet the requirement to spend 25% of your funds on those with incomes no greater than 50% AMI, and to spend all of your funds on those with incomes of 120% AMI or less.
- Continued affordability (5 pts) – show how you will maintain, to the maximum extent practical and for the longest term feasible, the affordability of housing units for those with incomes under 120% AMI and under 50% AMI.
- Consultation, Outreach, Communications (5 pts) –
  - Describe how consultation will take place with state and local governments with jurisdiction over the target areas;
  - Describe your plan to generate a pipeline of qualified buyers to occupy homes rehabilitated with NSP2 funds; and
  - Describe how communication with the community will take place during the design and implementation of the plan.
- Performance and Monitoring (10 pts) – describe your plan for monitoring all program activities and ensuring performance as well as your internal audit system.

**Factor 4: Leveraging Other Funds or Removal of Substantial Negative Effects** (10 pts) - Provide quantitative measures of other funds leveraged or removal of destabilizing influences. Those applications in the top third for this factor will receive 10 points, those in the second third will receive 5 points, and those in the bottom third will receive no points.

- Other Funds – the total dollar value of grants, loans, in-kind contributions, donated land or services etc., that comes from a state, local, private nonprofit, or private for-profit source and are firmly committed – a written contract – to NSP2 activities. For funds to count they must be non-federal, non-NSP and non-CDBG.  
Note: sweat equity, volunteer labor, and mortgages resulting from down payment assistance do not count as leveraged funds.
- Removal of Substantial Negative Effects – if a plan will impact more than 25 vacant properties in a targeted area, HUD provides a formula to quantify the impact; the formula looks at the % of properties will be rehabilitated or demolished in a target area.

**Factor 5: Energy Efficiency Improvement and Sustainable Development** (10 pts) –

- Transit (4 pts) – Explain whether the areas targeted in your application are transit accessible– local bus service every 20 minutes during rush hour or are adjacent to a rail stop, 2 points for each.
- Green building standards (3 pts) – Show that new construction and gut rehabilitation will be required to exceed Energy Star for New Homes standard and that moderate rehabilitation will purchase only Energy Star products. Alternatively, you can require Enterprise Green Community Standards or similar green standards.
- Reuse of cleared sites (1 pt) – Show that all demolition sites will be reused – community gardens, pocket parks, etc. - within the term of the NSP2 grant.
- Deconstruction (1 pt) – Show that demolition materials will be salvaged and reused.
- Other Practices (1 pt) – Describe other sustainable development practices that will be required for some or all of your NSP2 activities.

**Factor 6: Neighborhood Transformation and Economic Opportunity** (5 pts) – certify that your NSP2 activities are consistent with, and describe how they are related to, an established comprehensive, regional or multi-jurisdictional plan that address transportation, economic revitalization, sustainable development or a related topic.

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