

October 21, 2008

Open Memo

To: Housing Alliance Community
Fr: Liz Hersh, Executive Director, Housing Alliance of PA
Re: Update on the Neighborhood Stabilization Program (NSP) Plans for PA

Introduction

As you are aware, the Housing Alliance has been working to ensure that we and our partners around the state fully understand and are able to participate in the implementation of the Federal Housing and Economic Recovery Act (HERA) of 2008. To that end, we hosted two briefing sessions on the bill with state and national officials.

We are particularly concerned with the NSP, allocation amounts for PA follow:

PA State	\$59,631,318
Allegheny County	\$ 5,524,950
Allentown	\$ 2,113,456
Philadelphia	\$16,832,873
Pittsburgh	\$ 2,002,958
York County	\$ 2,017,253

We have posted and are continuing to post all relevant resources both state and national on our website for your information: www.housingalliancepa.org. If there is information you need but cannot find, please do not hesitate to contact us at info@housingalliancepa.org

What you should know/do ASAP if you are interested in applying for these funds:

These funds must be used for the acquisition, rehabilitation and use of foreclosed and abandoned properties benefiting primarily households at or below 120%AMI. 25% of the funds must be used for people at 50% of AMI or below. Below market value must be paid for all acquisitions. The specific regulations are available on the HUD website (link below).

This is a “needs based” program – but not the needs we commonly think of. The statutory formula is based on numbers of foreclosures, defaults, and subprime loans. If you are interested in trying to get funds for your community, it is imperative that you go to the HUD website to the CENSUS TRACT level data on eligibility to see where the census tracts you serve fit in, here is the link:

http://www.huduser.org/publications/commdevl/excel/PA120_LM.xls

There is no known summary that ranks PA’s 14,294 census tracts. If you are looking at your census tracts, it is useful to read HUD’s methodology first to understand where the numbers come from and what they mean:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspq/nspfamethodology.pdf>

If a census tract has an “**Estimated foreclosure abandonment risk score**” on the HUD index of 7, 8, 9 or 10 it is likely it will meet the criteria of need for the DCED application.

DCED is also planning to look at areas that have extremely high concentrations of subprime loans and foreclosures even if they do not meet HUD’s income and vacancy rate criteria. Look for final definitions in the plan, but do not wait. Start by analyzing the census tracts immediately.

Ed Geiger from DCED is the point person for the state’s NSP plans; Donna Enrico is the direct administrator. They have gone out of their way to be open and accessible throughout this process. **DCED will host TWO sessions at the Homes within Reach Conference, one on Tuesday, November 18th from 1:30-3:00PM and one from 5:00-6:00PM to provide additional information on NSP to participants.**

Cindy Daley and I met with Ed and Donna on 10-17 to raise the issues listed below and get their responses. This memo reflects our understanding of the results of that meeting. Please note that this memo comes from the Housing Alliance and not DCED. We take full responsibility for its content.

1. Timing

DCED plans to publish their plan for the NSP and post it on the DCED website for the 15 day public comment period by November 3, 2008. This will enable them to have sufficient time to incorporate changes and submit the plan to HUD by the December 1 deadline.

If you would like to receive an email notice when the plan is posted, please call the main number for DCED or email Angela Taylor at antaylor@state.pa.us. The Housing Alliance will immediately post the link and send out an alert to our list.

DCED expects to let contracts by mid-end of January. In accordance with the law, all funds must be obligated within 18 months.

2. The Housing Alliance strongly advocates for DCED to direct NSP funds not just to municipalities, but the Housing and Redevelopment Authorities, Not-for-profit and for profit developers. We are concerned that many municipalities do not have the capacity to compete for these funds, but the developers or RDAs within them may well be able to use the funds effectively. Further, we are concerned about the 10% admin dollars being diluted.

DCED Response:

The HERA legislation and HUD regulations require that the administrative entity for the NSP dollars comply with CDBG requirements including a Fair Housing Plan, relevant environmental standards, Minority and Women Owned Business requirements and 504. DCED is concerned that if they contract directly with non profits, developers,

Redevelopment and Housing Authorities that those entities will not have the capacity to meet the CDBG requirements OR that it will take too long for them to comply.

That being said, DCED is considering contracting with Housing Authorities to purchase scattered site homes to couple with rental assistance programs such as Section 8 to comply with the requirement that 25% of the funds be used for households at 50% of AMI or below. (We also suggested USDA and Section 8 homeownership).

The Housing Alliance asked that DCED consider flexibility in contracting by simply requiring that the administrative entity demonstrate compliance with CDBG standards. DCED is open to this position. It is quite common, in our experience, for non municipal entities to have systems in place to meet CDBG requirements, especially in entitlement communities where subcontracting may be a more common practice.

However, if you are a developer in a jurisdiction with limited capacity, we urge you to begin discussions with your local government now and think about jointly preparing a plan for submission to DCED.

- 3. The Housing Alliance strongly advocates for a state land bank as a priority use.** Given the short time frame for property acquisition/fund obligation, land banking is a critical tool for acquiring property which can then be redeveloped when buyers have been identified within the longer available time frame. A land bank would expand the capacity of communities where there may not currently be a developer or CDC, but where there is need and the opportunity for impact, especially smaller and rural communities. Representative Taylor has introduced enabling legislation which would make it easier to establish land banks.

DCED Response:

DCED is concerned about community capacity to establish a fully-functioning land bank within the time frame established by the law. They also question the value of a land bank at the state level rather than at the local or regional level. At the same time, they recognize the value and importance of being able to acquire properties and then have time to rehab and sell them. DCED believes that it is not necessary to establish a formal land bank. Rather, the local government can acquire properties and “land bank” them with NSP funds without setting up a new entity.

Without committing to a firm course of action, they are exploring the establishment of an “acquisition pool” through PHFA through which communities and developers could acquire qualified properties for future use in accordance with HERA.

- 4. The Housing Alliance urges the state to include complementary criteria to augment the strict needs formula in determining which communities are eligible.** The HUD guidelines allow a more expansive definition than strict adherence to the needs index they have developed. This may enable communities who are capable and have momentum to continue their work.

DCED Response:

As noted earlier, DCED is looking at foreclosure and subprime rates as well as the established needs formula. Applicants should have a strong rationale for the sites they designate for action.

5. **The Housing Alliance urges three priority uses for funds (not necessarily in this order):**
 - a. **To stabilize “tipping point” neighborhoods where a small number of foreclosures/empty homes threaten an otherwise stable, but modest income community.**
 - b. **To expand and amplify existing state investment such as areas where there has already been successful local, PHFA or DCED community and housing development (for example, adjacent to a tax credit or HCP development).**
 - c. **For foreclosed multi-family buildings.**

DCED Response:

DCED supports these uses, although they are uncertain how many multifamily buildings are facing foreclosure. They intend that the program will follow the existing DCED criteria of IMPACT, TARGETING and LEVERAGING.

6. **The Housing Alliance would like clarification to ensure that properties that have gone through tax foreclosure qualify as foreclosed and or abandoned.**

Note: The HUD definition of “foreclosed” includes tax foreclosed properties.”

7. **The Alliance would like confirmation that the 25% of funds ear marked for households at or below 50% AMI will be funneled through PHFA.**

DCED Response:

DCED plans to meet the 25% requirement have expanded to include scattered site acquisition and use for rental assistance or low income homeownership such as through Habitat for Humanity. They continue to be open to ideas about how best to meet these income criteria.

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