

**COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
2012 Summary Statement and Initiatives
(Dollars in Thousands)**

NEIGHBORHOOD STABILIZATION PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation	[\$1,980,000]	...	[\$1,980,000]	[\$1,980,000] ^a	\$1,559,761
2011 CR	\$1,000,000 ^b	1,000,000	1,000,000	1,490,000
2012 Request	<u>754,000</u>
Program Improvements/Offsets	-1,000,000	-1,000,000	-1,000,000	-736,000

a/ These are obligations from a \$1.98 billion appropriation in the American Recovery and Reinvestment Act and is shown in the Community Development Block Grant funds. An additional \$20 million is shown in the HUD, Salaries and Expenses account.

b/ \$1 billion authorized by the Dodd-Frank Act (P.L. 111-203) became effective on October 1, 2010.

NOTE: The outlays are from NSP1 and NSP3 only, not NSP2 (ARRA).

Proposed Actions

The Neighborhood Stabilization Program (NSP) was established by the Housing and Economic Recovery Act of 2008 (HERA) and funded by that legislation at a level of \$3.92 billion. The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided \$2 billion in additional NSP funding in CDBG but altered several key characteristics of the program. The Dodd-Frank Wall Street Reform and Consumer Protection Act (signed into law July 21, 2010) provided another \$1 billion for NSP available in fiscal year 2011. Generally, the HERA funds are referred to as NSP1, the Recovery Act funds as NSP2, and the Dodd-Frank Act funds as NSP3. HERA directed that HUD treat these funds as if they are CDBG funds except as HERA supersedes the CDBG authorizing statute or as HUD establishes alternative requirements to expedite the use of funds. The Recovery Act and the Dodd-Frank Act both made minor changes to the basic NSP program requirements as set forth in HERA.

Program Priorities

The NSP is intended to assist states and local governments in addressing the effects of abandoned and foreclosed properties. HERA also requires that grantees use at least 25 percent of their allocated funds for the purpose of providing housing to households at or below 50 percent of area median income (AMI). Grantees may use the funds to undertake five eligible uses:

- establishment of financing mechanisms to assist in the purchase of foreclosed homes;
- acquisition and rehabilitation of abandoned and foreclosed homes;

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- establishment and operation of land banks;
- demolition of blighted property; and
- redevelopment of vacant or abandoned property.

Under NSP1, HUD distributed \$3.92 billion to 309 states and local governments through a formula based on criteria specified in HERA. HUD published a notice in the Federal Register on October 6, 2008, that outlines the NSP requirements and made allocations. Pursuant to the notice, grantee action plans for the funds were due to HUD not later than December 1, 2008. HUD reviewed and approved all plans by the end of March 2009 and all grantees have executed grant agreements. Grantees are now engaged in implementing their NSP1 programs and had until approximately September, 2010 to obligate all funds to eligible activities. As of September 30, 2010, grantees obligated approximately 99.7 percent of their NSP1 funds. HUD has developed a recapture and reallocation process for unobligated funds that will enable local governments that received NSP1 funds directly from HUD to retain those funds under certain conditions while certain funds allocated to states will be recaptured and reallocated consistent with the criteria identified in HERA and other data available to HUD. This process will unfold in the first and second quarters of fiscal year 2011. CPD is also closely tracking grantee compliance/performance with regard to the requirement that 25 percent of funds be used to benefit households at or below 50 percent of the Area's Median Income (AMI).

The Recovery Act appropriated an additional \$2 billion for NSP but eliminated the formula and directed HUD to run a competition for the funds. Further, the Recovery Act enabled non-profits and consortia of non-profits to compete for the funds along with states and local governments. The Recovery Act directed HUD to issue the competition guidelines within 75 days of enactment and to take applications within 150 days of enactment. The NSP2 programmatic NOFA for \$1.93 billion was issued on May 4, 2009 and applications were due July 17, 2009. The Department announced NSP2 grant awards on January 14, 2010, with 56 grantees receiving the full \$1.93 billion and all funds were obligated to grantees by the recovery act deadline of February 17, 2010. There is also \$20 million provided for Salaries and Expenses and Administrative purposes. NSP2 grantees are required by the Recovery Act to expend at least 50 percent of their grant funds not later than February 2012 and 100 percent of funds by February 2013. The following table summarizes the NSP 2 awards.

NSP 2 Award Recipients						
Applicant Type	% Recipient		Sum of Funding Amount	% Funding		
	Recipient Count	Count of Total		Amount of Total	Sum of Projected Units Addressed	% Projected Units of Total
Consortium	36	64%	\$1,078,435,817	56%	24,544	65%
Local Government	15	27%	\$ 476,448,669	25%	8,559	23%
National/Non Profit	3	5%	\$228,001,272	12%	2,160	6%
National/Consortium	1	2%	\$137,107,133	7%	2,224	6%
State	1	2%	\$10,007,109	1%	111	0%
Grand Total	56	100%	\$1,930,000,000	100%	37,598	100%

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The Department issued a second NOFA on May 4, 2009, to provide \$50 million in NSP technical assistance funding. Applications were due June 8, 2009 and on August 25, 2009, CPD awarded the \$50 million to 10 providers in order to deliver technical assistance to both NSP 1 and NSP 2 grantees. The NSP TA effort has greatly contributed to the progress made by NSP 1 grantees in implementing their programs and in obligating funds. CPD first conducted a risk assessment process to determine which grantees were most in need of technical assistance and then directed technical assistance providers to the highest priority grantees to carry out needs assessment with regard to grantee programs. Overall, NSP TA providers developed 98 needs assessments. Subsequent to the needs assessments, work plans were developed and implemented through the providers. To further enhance this effort, CPD conducted 16 NSP problem solving clinics across the country and established the NSP TA website (<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspta.cfm>) which hosts a wealth of information for NSP grantees. The website also includes snapshots of NSP performance at the national, state and grantee levels and these snapshots are updated on a monthly basis.

On September 8, 2010, the Department announced allocations of the \$1 billion in NSP3 funding appropriated by the Dodd-Frank Act. Funds have been allocated to 283 grantees consistent with the formula established by HERA for use in distributing NSP1 funds. HUD issued guidance for NSP3 funds in October 2010 and grantees are to submit their action plan amendments for HUD's review not later than March 1, 2011.

Major program evaluations/audits/issues

Several reviews and audits have been completed with regard to NSP1 and NSP2. For NSP1, GAO issued a review which gives a relatively clean bill of health. The link to the report is <http://www.gao.gov/new.items/d1148.pdf>. The HUD Inspector General issued an audit of the NSP2 competition process and gave it a clean bill with no findings or recommendations. For NSP3, the first action plan amendment has not yet been completed. Also related to evaluations, \$3.7 million in Recovery Act funds, including NSP2, have been allocated to the Office of Policy Development and Research for the purpose of carrying out several studies with regard to the effectiveness of NSP in stabilizing communities. The Office of the Inspector General (OIG) is implementing an aggressive review of NSP1 funds and has already completed a number of audits. The NSP2 competition process was the subject of an extensive OIG audit and OIG issued a report in June 2010 without any finding or concerns on the process. The Government Accountability Office (GAO) has also been engaged in an extensive review of NSP1 since 2009 and issued a report in December 2010 that provided a positive analysis of HUD's implementation of NSP1 and recommended only minor improvements in data reporting processes for the program. See GAO Report 11-48 at <http://www.gao.gov/new.items/d1148.pdf>.

PERFORMANCE DATA

Data collected via HUD's Disaster Recovery Grant Reporting (DRGR) system indicates that grantees are directing a majority of funds to two types of activities – acquisition (33 percent) and residential rehabilitation (27 percent). As of January 13, 2011, data in DRGR indicates that NSP1 grantees have completed more than 19,189 units, encompassing residential rehabilitation, clearance and demolition, and new housing construction. Since NSP is targeted to address the effects of abandoned and foreclosed property, it plays a key role in HUD's new strategic plan through the goals and subgoals focused on addressing the foreclosure crisis. NSP also contributes to HUD's high performance priority goals as the rental assistance goal tracks the total number of occupied NSP rental units and will contribute to several other indicators under the rental assistance goal. The overall picture with regard to NSP1 performance is coming into clearer focus 1 as the initial 18-month obligation period ends and grantees solidify their data in DRGR. Nationwide, state by state, and grantee level performance data is available on the NSPTA website at www.hud.gov/nspta.

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Program Relationship to Strategic Goals and Subgoals

The origin of the NSP is focused on Strategic Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers and in particular subgoal 1d.

NSP also supports the following subgoals associated with the strategic plan:

- Subgoal 1a to mitigate the effects of the foreclosure crisis by assisting communities that have high rates of foreclosure consistent with subgoal 1a.
- Subgoal 1c by providing financial support for construction or rehabilitation of housing units for homeownership.
- Subgoal 2b by supporting construction, rehabilitation and acquisition of quality affordable rental housing by providing and leveraging capital.
- Subgoal 2c by helping to preserve affordability and improve the quality of affordable rental homes.
- Subgoal 2d by expanding affordable housing choices in a range of communities.
- Subgoal 4b by providing energy-efficient building and location-efficient communities that are healthy, affordable, and diverse.
- Subgoal 4c by building the capacity of local, state, and regional public and private organizations.

Key measures for NSP:

- Number of units acquired with NSP funding.
- Number of units constructed or rehabilitated with NSP funds.
- Number of rental units assisted with NSP funds.
- Number of housing units dedicated to individuals at or below 50 percent of AMI.

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NEIGHBORHOOD STABILIZATION PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Neighborhood Stabilization								
Supplementals	[\$1,980,000]	[\$1,980,000]	[\$1,980,000]	\$1,000,000	...	\$1,000,000	...
Total	[1,980,000]	[1,980,000]	[1,980,000]	1,000,000	...	1,000,000	...

NOTE: The \$1 billion is authorized by the Dodd-Frank Act (P.L. 111-203) effective October 1, 2010.

<u>FTE</u>	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters	5	5	5
Field	2	2	2
Total	7	7	7

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**COMMUNITY PLANNING AND DEVELOPMENT
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Program Offsets
(Dollars in Thousands)**

Neighborhood Stabilization Supplementals	<u>Amount</u>
2010 Appropriation
2011 CR	\$1,000,000
2012 Request
Program Improvements/Offsets	-1,000,000

NOTE: The \$1 billion is authorized by the Dodd-Frank Act (P.L. 111-203) effective October 1, 2010.

Allocation by purpose is awaiting final review of grantee plans.

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**COMMUNITY PLANNING AND DEVELOPMENT
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Crosswalk of 2010 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Neighborhood Stabilization						
Supplementals	[\$1,980,000]	[\$1,980,000]
Total	[1,980,000]	[1,980,000]

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**COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
Crosswalk of 2011 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Neighborhood stabilization						
Supplementals	\$1,000,000	\$1,000,000
Total	1,000,000	1,000,000

NOTE: The \$1 billion is authorized by the Dodd-Frank Act (P.L. 111-203) effective October 1, 2010.