

# Virginia Neighborhood Stabilization Program

Competitive Round How-to-Apply Workshop  
May 20, 2009



# Agenda

- Background and Introductions
- Funding & Distribution Levels
- Policy Review
- Request for Proposals Format
- Q&A

# Background

- Authorized under Title III of the Housing and Economic Recovery Act of 2008
- Acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities

# Funding

- Community Development Block Grant (CDBG)
- \$3.92 billion to all states and particularly hard-hit areas
- Virginia - \$38.7 million
  - Fairfax County - \$2.8 million
  - Prince William - \$4.1 million

# Virginia NSP Objective

- Regenerate healthy vital neighborhoods
- Active private real estate market
- Affordable housing opportunities
- Sustainable property values
- No blighted properties

# Virginia NSP Activities

- Buy abandoned / foreclosed homes in target neighborhood
- Repair / rehab homes
- Prepare interested buyers – 120% or below median income
- Create financing package

# Virginia NSP Activities

- Low Priority
  - Demolition
  - Land banking/Spec requisition
  - Long standing redevelopment needs
  - Large “target of opportunity projects”
- No Priority
  - Scattered site anything

# Required Program Elements

- DHCD approved target neighborhood
- Identify location and ownership of abandoned / foreclosed properties
- Appraised, Discounted Values
- Acquisition or Facilitated Availability of Properties
- Eligible, credit worthy, prepped homebuyers
- Mortgage / Equity / Closing Costs
- Rehab / Property Prep / Disposition

# Investment Approach

- Outcome funding
- Leveraging resources
- Performance based contracts
  - Output based administrative & delivery costs
  - Additional \$\$\$\$ for achievement of outcomes
- Outcome oriented compliance monitoring

# Performance Based

- Feed the Fever
- “Just In Time” payments
- Recycle
- High Performance Incentives
  - Bulk purchase
  - Reprogramming of profits

# Targeting / High Impact

- No scattered site
- Definable neighborhood
- 8-12% vacancy
- Significant number addressed
- Achieve market “tipping point”

# 25 / 50 Priorities

- Special Needs / Supportive Housing
- Low Income Homeownership / Habitat
- Rental Housing for displaced low income households
- Rental Housing appropriate to character of neighborhood

# Distribution

- Immediate action by applicants that are ready to proceed AND preparation time for less geared-up applicants
- Four levels of distribution
  - Open Submission program
  - Planning Grants
  - Competitive application
  - Performance-Based Pool

# Distribution

- Planning Grants
  - City of Franklin
  - Town of Culpeper
  - City of Chesapeake
  - Fauquier County
  - Shenandoah PDC (Warren, Frederick, Shenandoah)
  - City of Petersburg / Pathways
  - Catholics for Housing (Prince William County)

# Distribution

- Open Submission
  - Closed, was open through April 3
- \$32 million requested
- Will award approximately \$24 million
- Already announced (\$7 million)
  - Loudon County
  - Fredericksburg/Stafford
  - Spotsylvania/Caroline

# Distribution

- Competitive
  - How-to-Apply – TODAY
  - Applications due July 1, 2009
- Approximately \$9 million available
- Proposals will be evaluated based on:
  - Need
  - Impact
  - Readiness
  - Capacity
  - Leveraging and Cost Appropriateness
- Cities / Counties, Redevelopment and Housing Authorities, Non-profits, Planning District Commissions
  - Towns should seek to apply through County but can apply individually

# Distribution

- Performance Pool
  - Unobligated funds, recaptured funds, and Program Income
  - Use by high performers
  - Incentive to act swiftly
  - Regularly review progress in meeting the 25 percent targeting requirement and overall progress—may RECAPTURE funds

# Policy Review

# Purchase of Foreclosed Homes

- Property must be purchased at a discount of at least 15%
  - Based on “as-is” appraised value dated within 60 days of offer

## Example:

Bank Asking / Sales Price	\$110,000
<i>As is</i> Appraised Value	\$100,000
Your offer to Purchase	\$ 85,000

# Rehab of Foreclosed Property

- Housing units receiving NSP funding must at a minimum be rehabilitated to meet DHCD Housing Quality Standards (HQS)
- NSP rehab funds can not exceed \$25,000
- Leveraged Funds may be used in addition to the NSP Rehab funds
  - Be mindful not to over improve the home based on neighborhood comparables

*Refer to the RFP Appendix for DHCD HQS standards*

# Sale of Foreclosed Homes

- **No Profit** may be earned on the *sale* of the NSP home.
- Sales price shall be an amount equal to the cost to acquire/rehab property up to a decent, safe & habitable condition

# Educational Requirements

- Virginia NSP requires 8 hours of homeownership education
  - Initial intake
    - 1+ hour
  - VHDA *Introduction to Homeownership*
    - 6 hours ( no online courses permitted)
    - VHDA course meets 8 hour requirement
  - Spending Plan / Loan Pre approval
    - 1+ hour

# Sale of Foreclosed Homes

- Client is lender ready
  - Continue through the NSP home purchase procedures
- Client is not lender ready
  - NSP allows a lease /purchase up to 36 months
  - Continued credit/budget counseling
  - Homebuyers club

# Non-Owner Occupied Units

- NSP funds will be used only for investments which stabilize neighborhoods in such a way as to substantially maintain the pre-foreclosure crisis mix of rental and owner-occupied dwellings and retain the relative market value of homes in the area.
- Redevelopment of existing properties or conversion of owner to renter tenancy will generally only be allowed to facilitate compliance with the 25/50 rule

# Non Owner Occupied Units

- NSP assistance to rental properties will be underwritten
- Any Return on Investment related to NSP funding must be returned to DHCD as Program Income

# Administrative Costs

- Administrative funds evenly split – 4.68 percent each
  - 4.68% to DHCD / 4.68% to locality
- Program Income
  - Must be returned to DHCD first
  - If to be re-used in same neighborhood / same activities, will be earmarked;
  - Second time around – 8 percent admin
  - If not re-used, reallocated Performance Pool

# Program Delivery Costs

- **Includes all costs associated with the implementation of the NSP**
- **These costs do not include:**
  - **The cost of administering the project\*,**
  - **The cost of the actual NSP activities\*, or**
  - **Any cost that is ineligible for NSP funding**
  - **The cost of appraisals is not a delivery cost, it is a closing cost**

\* These costs are eligible under other budget line items (i.e. administrative, rehab, acquisition, etc)

# Pay for Performance

Performance Items	Single Family Detached	Single Family Attached
Acquisition Not to Exceed	\$5,000 per unit	\$3,000 per unit /Not to Exceed \$ 10k <i>Trans. or aggregated properties</i>
Rehab Specialist Not to Exceed	10% of rehab costs up to \$2,500	10% of rehab costs up to \$2,500
Eligible Homebuyer Commitment Not to Exceed	\$5,000 per household	\$5,000 per household, homeowner only
Occupancy Not to Exceed	\$2,500	\$2,500
<b>Maximum</b>	<b>\$15,000</b>	<b>\$13,000</b>

# Pay for Performance

- Rental Occupancy: \$2,500, not to exceed \$10,000 per project is available for occupancy of an eligible tenant if no other developer or administrative fees are available.
- Supportive / Special Needs Housing: Up to \$5,000 will be available upon acquisition of an eligible building / property. Ten percent of NSP rehab cost up to \$ 2,500 per unit will be available per project.

# NSP Competitive Submission Format

- Cover Sheet
- Proposal Summary
- Project / Service Area
- Needs
- Products
- Outcomes
- Capacity
- Readiness
- 25/50 Strategy
- Leveraging
- Financial Summary
- Acquisition & Rehab Summary
- Assurances & Certifications
- Disclosure Report

Competitive Round Submissions are scored on a point system

Please remember to format the submission as requested

# Competitive Round Proposal Cover Sheet

## **Complete template provided**

- Applicant
- Brief Project Description
- Project Location
- Costs
- Signed by Chief Administrative Officer

# Project Funding

- **Neighborhoods in an individual locality**
  - Eligible for up to \$2.0 million; Up to three neighborhoods
- **Multiple localities = regional application**
  - Up to \$4.0 million; Up to two neighborhoods allowed per locality

# Proposal Elements – Project Area

## Project Service Area

- How is the neighborhood defined?
- What are market conditions?
- Does this meet the 8-12% requirement?

## List properties

- Owner
- Contact info for owners agent
- Condition of title
- Address
- Anticipated value
- Rehab needs / cost
- Projected sales price
- Anything else?

# Proposal Elements – Needs

- How did you identify the needs
  - Surveys
  - Inspections
  - Realty sites (Realtytrac, HUD, other)
  - Tax records
- How did you prioritize?
  - 8-12% criteria?

# Proposal Elements – Products & Outcomes

## Products

- # of units to be acquired per neighborhood
- # needing rehab per neighborhood
- # of households – under 50% median, between 51%-80%, between 81%-120%

## Outcomes

- Long-term benefits
- Anticipated impact

# Proposal Elements – Capacity

- **Responsibility chart**
  - Management team roles and responsibilities
- **Experience –**
  - Individual / organization
  - Submit certifications
- **Performance in this area -**
  - foreclosures / rehab / counseling, disposition, property maintenance, marketing
- **Familiarity with CDBG, grant management, data collection / reporting, financial management**

# Proposal Elements – Readiness

- **Partners identified and onboard**
  - Leveraged partners
  - Management team
  - stakeholders
- **Regulatory status – ERR**
- **Identified and qualified clients**
  - Identify AMI percentage
  - Provide full name & address of client
  - Provide status of pre-approval
  - Provide details on clients wishing to live in the targeted neighborhoods
- **Acquisition and transfer / sale strategy**
  - Acquiring property at minimum 15% discount
  - Resale to LMMI client
  - Educational requirements
- **Plan for meeting 25/50 requirement**
- **Plan for returning program income**
- **Proposed affordability security**
  - Term of affordability
  - Copies of deeds/ notes

# Proposal Elements – Readiness

- **Implementation Plan - Walk through a sample transaction**

# NSP Financial Summary Proposal Elements

- **Financial Summary**
  - **Budget**
    - If partnering with other agencies submit 1 budget for entire proposal
  - **Sources**
  - **Derivation**
  - **Underwriting / pro forma if necessary**

# NSP Maps

## Proposal Elements

### Maps

- Code to show targeted properties, status
- Cross-reference to property listing
- Include physical identifiers



# NSP Competitive Round Submission

- Original and 6 copies
- Binder clips are great; No 3-ring binders
- Tab sections
- By 5:00 p.m. or postmarked and sent for delivery within 2 business days following the proposal deadline
- **PLEASE NUMBER YOUR PAGES**

# Review Forms

- Environmental Review
- Management Team Handout
- Pull the Trigger Handout
- Manual on disc
- Power Points on disc
- Flow Charts

Q&A

