

February 10, 2010

MEMORANDUM

TO: Virginia Neighborhood Stabilization Program Partners

FROM: Denise H. Ambrose, Associate Director

SUBJECT: Notice #NSP-03, Policy Changes and Updates

DHCD recently convened a Focus Group to assess performance and identify obstacles that may be hindering implementation of the Virginia Neighborhood Stabilization Program (NSP) and to offer suggestions for policy changes. As you are aware, the NSP has very tight deadlines for obligation of funds, and we want to make sure that within the intent of the program, we are providing the support necessary to achieve this. Please note the following policies are in effect as of February 4, 2010:

Neighborhood Identification – Where the current process of implementing the program within defined neighborhoods with foreclosure rates within the program parameters is effective, please continue working within this framework. However, you may also work on a Census Tracts basis within tracts that have either a *FORECLOSURE* score or *VACANCY* score of at least 18 per NSP Needs database developed by the U.S. Department of Housing and Urban Development to qualify areas of need for the NSP2 program. To request a change to qualified Census Tracts, a request must be submitted to your Community Representative that includes a map of the target area and the score per the Needs database. Documentation that you are targeting the area of greatest need within your community by making this change must be provided. Please remember that a change to your project area may trigger the need to revise your Environmental Review Record; please consult your Community Representative for further guidance. You will receive written notice from DHCD approving this change as soon as it can be reviewed. The HUD Needs database can be accessed at: <http://www.huduser.org/nspgis/map.aspx>.

Rehab Limits Increase – The allowable NSP amount for rehab is now \$45,000 for all properties; this is no longer just for properties that were constructed pre-1978. You are still advised to be cautious and not over-improve properties, however, please consider opportunities to incorporate green / energy-efficiency practices and improvements that will reduce life cycle costs and which will provide a benefit to your clients.

Rehab Specialist Fees Increase – Rehab Specialist fees are no longer capped at 10 percent of the rehab costs and instead are based on a flat rate of \$2,500 per property.

Allowable Activities

Based on discussion at the Focus Group, there appears to be some confusion over existing policies, so the following points are presented for clarification. On a limited basis and with prior DHCD approval the following activities are allowed within the Virginia NSP.

- Demolition;
- Substantial reconstruction;
- Foreclosed lot acquisition; and;
- New construction.

As stated, these activities are by exception and must be completed within an existing neighborhood strategy. Activities must be completed within approved NSP cost limits, such as not more than \$45,000 for substantial reconstruction.

Inclusion of Rental Properties – In certain instances, rental properties may be allowed, particularly to help a grantees meet the 25/50 requirement. Please note that emphasis is placed on projects that retain the fabric of the existing neighborhood and it is the intent of the Virginia NSP to ensure that projects will not significantly change the preexisting nature, characteristic, or stability of that neighborhood.

Condo Purchases – The purchase of condominiums is allowed but grantees are cautioned to fully explore this type of purchase given the complications that may result from the ownership structure, restrictions of the Condo Association, fees for the Association, new lending guidelines that impact condos, and so forth,

Auctions – Properties may be purchased through auctions and tax sales. Please keep in mind that due diligence is required to ensure the required discount from an as-is appraisal is obtained and properties should be thoroughly inspected prior to auction to assess full rehab needs. Properties must also meet the definition of foreclosed, otherwise the purchase will not qualify under the Virginia NSP.

Obligation of Funds – Currently all NSP funds must be fully obligated by September 17, 2010. To further clarify what this means as defined by HUD, funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment of funds. Note that funds are not obligated by the execution of a grant agreement between DHCD and grantees. The following are examples of obligations for a specific activity:

- Execution of an agreement with a REO holder to acquire one or more foreclosed upon properties;
- Execution of a contract to rehabilitate an abandoned or foreclosed upon property;
- Execution of a loan agreement

Please keep in mind that changes to your original local Program and / or grant budget will require written approval from DHCD. We thank you for your partnership in the NSP program in Virginia. Please note that additional changes are under consideration and may be implemented at a future time. Should you have any questions about these changes or any other policies or feedback you would like to share, please contact your Community Representative.

cc: Carmen Bucci, U.S. Department of Housing and Urban Development, Richmond