



U.S. Department of Housing and Urban Development

NSP Webinar Series

Meeting the 25% Low Income
Requirement
July 18, 2013
2 pm EDT

Community Planning and Development

Hosts, Panelist and Moderator

- HUD Hosts
 - David Noguera, HUD David.A.Noguera@hud.gov
- Panelists and Moderator
 - Jane Bilger, CSH jane.bilger@csh.org
 - Ursula Strephans, Maricopa County, AZ
 - Greg Fitzgerald, City of Newark, NJ

Today's Webinar Agenda

- 25% Set Aside Background and Updates
- Activities, Reporting and Closeout
- Highlight Activities
 - Maricopa County AZ – supportive housing, homeownership, scattered rental
 - City of Newark NJ – partnership for supportive housing and scattered site rental
- Question and Answers



What is the 25% Low Income Set Aside Requirement?

AKA:

“Low Income Set Aside”

“25% Set Aside”

“LH25”



What is the 25% Low Income Set Aside Requirement?

- Not less than 25% of NSP “Funds” are used to house individuals or families at <50% AMI
- Applies to each NSP1, 2, and 3 grants based on each NSP authorizing legislation
- Requirement rests with the Grantee – can be allocated to single or across multiple projects
- Compliance measured with occupancy of the unit and meeting a national objective, not expenditure of the \$\$

POLL: LH25 Progress to Date?

What percentage of NSP funds have been expended to benefit Low Income Households under LH25 for each NSP Program?

- **NSP1**
 - Choose one: 25%, 31%, or 36%
- **NSP2**
 - Choose one: 25%, 35%, or 40%
- **NSP3**
 - Choose one: 20%, 23%, or 25.0%



Overall NSP is Exceeding the LH25 Requirement

As of July 15, 2013

- NSP1 – 31.6% \$1,460,315,399
- NSP2 – 34.9% \$ 673,705,684
- NSP3 – 23.8%* \$ 240,447,637

*(Prior to NSP 3 expenditures deadline)



Policy Updates for LH25

- Calculating 25% Set Aside with Program Income
- Eligible Activities
- Closeout

Calculating the 25% Set Aside

- NSP “Funds” includes original grant plus all Program Income (PI)
- PI included in the calculation for 25% Set Aside for **all** NSP Programs –
NSP1, NSP2, NSP3

Example: 25% Set Aside with PI

- NSP1 Grant = \$10,000,000
- NSP1 PI = \$ 3,000,000

25% Set Aside Requirement =
 $\$13,000,000 * 25\% = \$ 3,250,000$



Do not deduct 10% Admin allowance
from calculation

Eligible Activities: Permanent Housing

- Activity A,B or E
 - ✓ Rental:
 - ✓ Scattered or single site
 - ✓ Mixed Income Tenancy
 - ✓ Homeownership
 - ✓ SF/condos/Owner-occupied rentals
 - ✓ Homebuyer assistance/Development Cost Assistance

Eligible Activities: LandBank Properties

- Activity C



Landbanked properties not qualified for LH25 based on future development plans

LH25 is determined by occupancy and meeting a national objective.

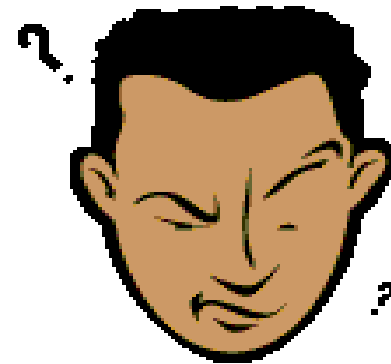
POLL: How are you meeting the 25% Set Aside?

(Choose any that apply)

- Development of multi-family rental housing
- Scattered site rental housing
- Permanent supportive housing
- Homebuyer direct assistance
- Development & sale of homebuyer units
- Lease purchase

Effective Strategies for LH25

- What LH25 strategies are working?
- How to change gears on LH25?



Effective Strategies for LH25

Rental Housing



- New construction /Rehab
- Scattered site/single site
- 100% or mixed income
- ✓ Leverage other funding resources
 - LIHTC, HOME, HOPE VI
- ✓ Partnerships and Community Priorities
 - PHAs, CDCs, Continuum of Care, service providers
 - Property management

Effective Strategies for LH25

Permanent Supportive Housing

- ✓ Satisfies multiple community benefits
- ✓ Partnerships with service providers
- ✓ Single site or Scattered site rental



Group homes, shelters, and some transitional housing considered public facilities under CDBG rules

- ✓ Tenant lease; term ~~≠~~ limited
- ✓ Voluntary Services

Effective Strategies for LH25

Homeownership: Addressing purchase price and qualification barriers

✓ Purchase price discount/soft seconds

- NSP \$ stay in as flexible soft second to reduce price

✓ Homebuyer Financing

- Flexible Mortgage financing that provides affordability
- Closing Cost assistance

✓ Find partner expertise with low income buyers

- Habitat, CDCs, NeighborWorks, PHAs

Effective Strategies for LH25

Homeownership: Addressing purchase price and qualification barriers

✓ Pre/Post homebuyer counseling

- Go beyond the minimum required
- Focus on budgeting, debt obligations, owner responsibilities and maintenance

✓ Lease purchase

- Work with experienced partner
- Establish purchase terms and responsibilities
- Property management
- Plan B – purchase doesn't go through

Attributing Costs to LH25

Eligible Costs Paid with NSP attributed to 50% AMI project or units:

- Direct development costs
- Direct homebuyer assistance
- Related costs tied to address
 - Demolition (part of redevelopment)
 - Onsite infrastructure
 - Activity delivery costs



Attributing Costs to LH25

Factors To Consider for Mixed Income and Mixed Financed NSP Developments:

- Percentage of LH25 and NSP units to Total Units
- Percentage of LH25 and NSP\$ to Total Development \$
- Comparable units
 - Size, bedrooms, amenities

Example: LH25 - NSP Investment Ratio

Example:



50 Unit Rental Development

Total Development Costs	<u>\$10M</u>
NSP invested	\$ 2.5M
Other Resources	\$ 7.5M

Example: LH25 in Mixed Income - Unit Ratio

LH25 Units

10 units

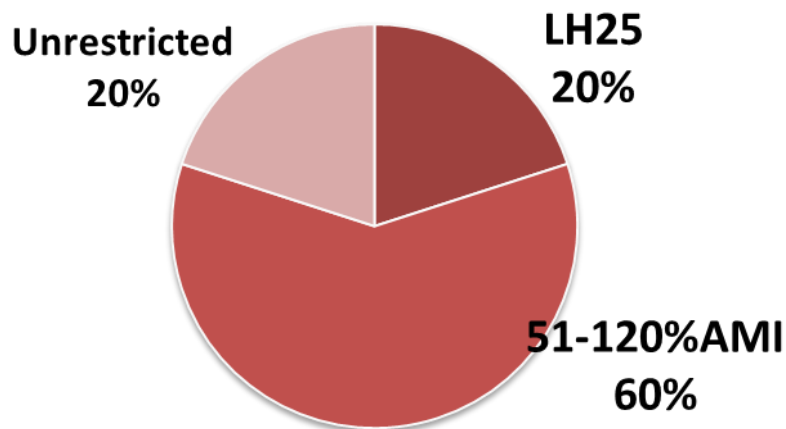
51-120% AMI Units

30 units

Unrestricted Units

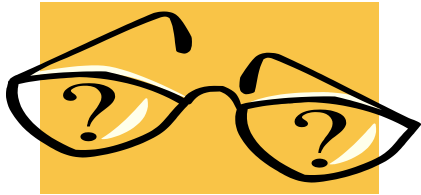
10 units

50 units



NSP Eligible = 80%

Example: Attributing Costs to LH25 in Mixed Income Development



Question: How much of the \$2.5M NSP Investment is LH25 eligible?

Answer: **\$2M** of the NSP investment is LH25

- 20% of Total Units are LH25 Units
(10/50 units)
- 20% of Development Costs = **\$2.0M**
(20%*\$10M = \$2.0M)

LH25 Reporting

- Maintain accurate records to demonstrate meeting 25% Set-Aside
 - Cost documentation for specific units
 - Income documentation for beneficiaries
- Use DRGR to identify and report allowable costs directly attributable to the resulting low-income units
- Upcoming DRGR screens will track address and affordability requirements

LH25 and Closeout

- **Pre-Closeout:** LH25 achieved through:
 - Activity is eligible and meets a National Objective
 - Occupancy by an eligible individual or household in the NSP unit
 - Verify LH25 expenses \geq LH25 requirement
 - LH25 expenses updated in DRGR

Post Closeout - Program Income Thresholds and LH25

Program Income earned **after** Closeout

- \geq \$25,000 annually must be expended on NSP eligible activities
 - ✓ All NSP requirements are applied
 - ✓ Can use up to 10% for Administrative costs
- $<$ \$25,000 earned annually can be expended for NSP administration and monitoring
- **LH25 requirement continues for PI earned annually \geq \$250,000**

Post Closeout Program Income Thresholds and Grantee Status

- Entitlement Grantees and States
 - ✓ PI Thresholds applied on an ongoing basis
 - ✓ Eligible activities, beneficiaries, cross cutting requirements are applicable
- Non-profit Consortia Leads without CDBG Entitlement (NSP2)
 - ✓ PI tracked for 5 years only
 - ✓ Eligible activity and beneficiary
 - ✗ Cross cutting requirements are **not** applicable

LH25 - Long Term Affordability

- NSP Agreement
 - ✓ Affordability period matches NSP investment
 - ✓ Lien on the property
 - ✓ Non-compliance and recapture
 - ✓ Homeownership: Resale or recapture



LH25 - Long Term Affordability

Monitoring Requirements:

- Multi-family
 - Rent levels and tenant income
 - Occupancy
 - Preservation of NSP asset (condition)
- Homeownership
 - Occupancy
 - Resale or Recapture

Maricopa County, AZ



Maricopa County, AZ LH25 Projects



Before

After



- Scattered Site Rental Housing/Supportive Housing for Vulnerable Populations
 - Non-Profit Organizations
- Acquisition/Rehabilitation/Resale
 - Housing Authority

Maricopa County, AZ LH25 Projects

- Multi-Family Acquisition/Rehabilitation for Permanent Supportive Housing
 - Other NSP grantees
 - Housing Authority
 - Non-Profit Organizations
 - Other grant resources



Maricopa County Keys to Success

- Subrecipient vs. Developer Agreements
- Market shifts and engagement of HUD
- Partnerships
- Stakeholder Roundtables



Newark, NJ



Newark, NJ NSP

- Range of projects to meet LH25
- Passed on requirement to all NSP2 consortium members
- Effective Partnerships
 - Nonprofit, for profit and service providers



Newark, NJ NSP

- Supportive Housing
 - Single site and mixed tenancy
- Homeownership shift to scattered site rental in small multi-unit properties



Question and Answers

- How to ask questions
 - **Written:** Type your question in the box titled Q&A on the right side of your WebEx screen.
 - **Over the phone:** Select the **Hand Icon** under the Participant Box at the upper right side of your WebEx screen. The host will unmute your telephone line when it is your turn to ask your question.
 - Click on the **Hand Icon** again when you have finished to remove yourself from the queue.

NSP Webinar Resource Links

Resources on NSP and OneCPD Resource Exchanges

Search the OneCPD Resource Library	https://onecpd.info/resource-library/
Search the NSP FAQs	http://hudnsphelp.info/faqs
View All Training Materials on the NSP Learning Center	http://hudnsphelp.info/learning
Submit a Policy Question via OneCPD Ask A Question	https://onecpd.info/ask-a-question/
Request NSP Technical Assistance	http://hudnsphelp.info/RequestTA

Connect with NSP

Join the OneCPD Mailing List	https://onecpd.info/mailinglist/
Visit the NSP Flickr Gallery	http://flickr.com/photos/nspresourceexchange
Visit the OneCPD YouTube Channel	http://youtube.com/onecpd

Give us your Feedback

- Answer a few short questions
- Link:

<http://www.surveymonkey.com/s/NSP25Percent>