



U.S. Department of Housing and Urban Development

Neighborhood Stabilization Program

Target Areas and Program Income Transfer Updates

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Welcomeme

- Headquarters Staff
 - John Laswick
 - Njeri Santana
 - Marilee Hansen
- TDA
 - Jennifer Alpha
 - Garrett Lear

Agenda

- Welcome
- Federal Register Notice
 - Changes to Target Area Requirements
 - Updates to Program Income Transfer Approvals
 - Potential Cancellation of NSP Funds
- Questions & Answers
- Resources

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Federal Register Notice

The Notice has three elements:

- It enables grantees to re-designate, adjust, or expand their target areas, and it references the use of Opportunity Zones in coordination with NSP funds.
- It permits grantees to transfer streams of program income, including future streams of program income, from NSP to the CDBG program with a single HUD-approved request.
- The Notice also reminds grantees that failure to draw funds from the line of credit for two consecutive fiscal years may result in HUD determining that need for the funds no longer exists, cancelling the line of credit, and proceeding to grant closeout.

Changes to Target Areas

- HUD observes that many existing target areas are obsolete.
- Federal Register Notice provides an amendment process to change target areas.
- Field offices will approve amendments for NSP1 and 3 grantees, as before.
- NSP 2 grantees amendments still must go through HQ panel and re-scoring.

Changes to Target Areas

- Unlike previous amendments, the data to justify these changes will be defined by the grantee.
 - The notice eliminates two sections in Unified Notice on using Foreclosure Need Website and minimum score.
- Field Offices must find that the new area is reasonable, given the data submitted and the Field Office's knowledge of the community.
- NOTE: With the exception of small cities (under 25,000 population) target areas cannot be the entire jurisdiction.

Changes to Target Areas

- NSP 1 and 3 grantees must provide information by activity.
- The information must:
 - describe how the grantee will use the funds
 - identify the areas of greatest need addressed by the activity or if addressing other areas, the nature and extent for neighborhood stabilization.
 - This may include the local housing market, credit, and employment needs contributing to the decline in the other areas.

Changes to Target Areas

- NSP 2 grantees must identify the specific geography in which they will carry out the NSP2 program, giving priority emphasis and consideration to areas of greatest need.
 - If grantees are carrying out NSP2 activities in other areas, then they must identify the nature and extent of need for neighborhood stabilization in those areas.
 - At a minimum, the narrative for this factor must address local housing market, credit, and employment needs that are contributing to decline of the targeted geography.

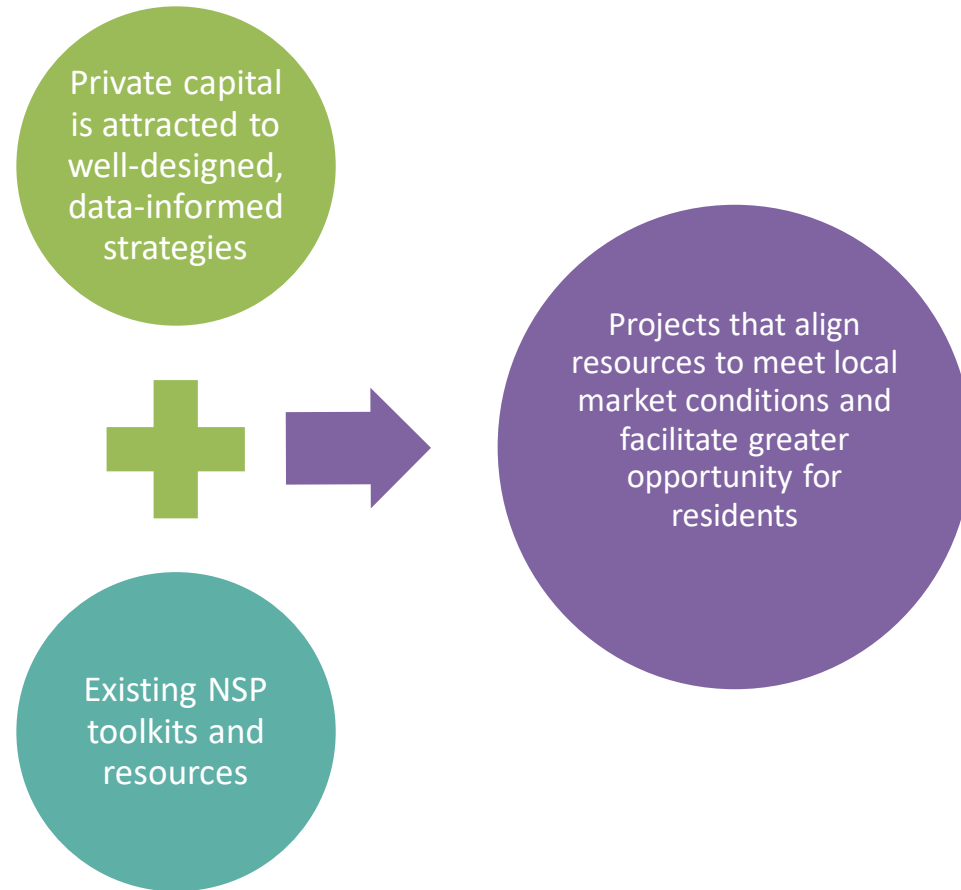
Changes to Target Areas

- **Using Opportunity Zones**

- NSP grantees might consider including Opportunity Zones in their amended target areas.
- Created by the 2017 Tax Cut and Jobs Act, Qualified Opportunity Zone tax incentives are designed to stimulate private investment in designated, low-income census tracts and allows individuals and companies to invest equity in real estate projects or in businesses in these communities.
- This is a voluntary linkage, but combining the power of these redevelopment tools could increase the scale and feasibility of both programs.

Changes to Target Areas

Benefits to using Opportunity Zones



Changes to Target Areas

Commercial and/or mixed-use private development on NSP-qualified properties in Opportunity Zones

Acquire - Develop - Results

Acquire NSP funds may be used to acquire prospective sites and clear them for future development; Must benefit low to moderate income households

Develop Opportunity funds can be used as a source of funds for actual development

Results NSP Residential

Results CDBG Residential - Public Facilities - Public Services

Changes to Target Areas

■ Opportunity Zone Examples

- NSP finances acquisition and demolition of a Downtown property. The OF finances the development of 300 multifamily units. The project is located in an OZ near businesses and economic development opportunities.
- NSP acquires an abandoned residential property. OF investors finance development and break ground on a 90-unit apartment complex located in a rural OZ. The project will provide entry-level housing to the community.
- NSP finances demolition of blighted structures within an OZ. The city awards the site development to co-developers (Investor and Homebuilder) for mix-use development requiring a portion of units to be affordable for the first 30 years.

Changes to Target Areas

Policy Development and Research would suggest the following available at the Census tract level:

- Vacancy data

<https://www.huduser.gov/portal/datasets/usps.html>

- Five-year American Community Survey
- Employment Status
- Poverty Status
- Vacancy Status

Changes to Target Areas

- **The Bottom Line:**

- Grantees can propose new areas using local data and explanations to demonstrate a reasonable plan.
- Keep in mind that standard NSP eligibility and performance requirements apply.
- In selecting a new target area, make sure that it contains sufficient eligible properties to absorb available funds, i.e. foreclosed, abandoned, blighted, demolished, or vacant.

NSP Successes- Boston!



Updates to PI Transfer Approvals

■ Program Income Transfer Basics

- PI can be transferred from NSP to CDBG before, during, or after closeout.
 - A written request must be made using HUD's request template.
 - A written approval is required from HUD **before** transferring funds to CDBG.
- There is no deadline by which PI must be transferred.
- Grantees are not required to transfer Program Income and can transfer any portion of PI with approval. In other words, grantees do not have to transfer all of it!
- Once PI is transferred to CDBG, it cannot be transferred back to NSP.
- Funds transferred are no longer NSP and take on CDBG requirements.

Updates to PI Transfer Approvals

- **Making the PI Transfer Request:**

- Use the materials on the HUD Exchange, including the request template:
 - Reconcile PI in DRGR to own records
 - Identify any PI on hand
 - Perform an analysis documenting compliance with LH25
- Make the written request to HUD to transfer.

- **What Happens After Approval:**

- Cancel PI receipt(s) in DRGR and receipt the NSP PI in IDIS as CDBG PI in Activity 2. Include a note that this PI is being transferred from NSP.
- Upload approval letter to the Action Plan- Admin Activity in DRGR.
- Make notes in the current QPR, including date of approval, amount of PI to transfer, and activity numbers that generated the PI.

Updates to PI Transfer Approvals

Before Notice

- PI stated in the approval request can be transferred after a grantee receives written approval from the local field office.
- Written request and approval is needed each time a grantee has PI to transfer.

After Notice

- Grantee is permitted to transfer PI, **including future streams of PI, from NSP to CDBG, in a single HUD-approved request.**
- Note: Approvals granted before the Notice do not provide approval for future streams of PI.
 - Grantees must make a new request to take advantage of this flexibility for future PI.

Updates to PI Transfer Approvals

- The Federal Register Notice makes approvals given after the date of the notice “blanket” approvals for all future program income generated.
- Grantees no longer need to make a separate request for each transfer.
- With a blanket approval, as PI is earned it can be receipted directly into IDIS rather than being recorded in DRGR first.
- QPR narratives should still state the amount of PI earned and transferred to CDBG.
- Funds not transferred to CDBG should be receipted in DRGR.

Updates to PI Transfer Approvals

■ Program Income Transfer - Advantages

- Allows NSP program to access and spend remaining LOC funds and close out NSP grant.
- Provides new CDBG program income for activities with a wider range of eligible activities.
- Increases planning and admin and public service caps, though 20% admin cap on program income is subject to a one year spending limit.
- Most useful when there are CDBG projects that can use the funds relatively soon.

Updates to PI Transfer Approvals

■ Program Income Transfer - Disadvantages

- Affects balance of unexpended CDBG funds, with implications for 1.5 timeliness test.
- Prevents use of the program income for activities that are eligible in NSP but not in CDBG, such as new housing construction, land banks, and beneficiaries with 80-120% AMI.
- May result in a CDBG substantial amendment.

NSP Successes- Camden!



Potential Cancellation of Unused NSP Funds

- Under 31 U.S.C. 1555:
 - if a grantee has failed to draw funds from the line of credit for **two consecutive fiscal years**
 - and HUD can determine the need for NSP funds no longer exists,
 - then the grantee's remaining line of credit funds may be cancelled.
- Grantee must still complete the closeout process even if NSP funds are cancelled.

NSP Successes- Los Angeles!



Resources

Resources

- Federal Register Notice:

<https://www.hudexchange.info/news/new-nsp-notice-changes-to-closeout-requirements-related-to-program-income-amendment/>

- Opportunity Zones

<https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

- Program Income Transfer Materials

<https://www.hudexchange.info/resource/5122/neighborhood-stabilization-program-program-income-transfer-instructions/>

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Resources

NSP General Resources

- NSP on the HUD Resource Exchange:
<https://www.hudexchange.info/programs/nsp/>
- NSP Closeout Guidance:
<https://www.hudexchange.info/resource/3811/nsp-closeout-guide/>
- NSP Webinars- Search here. . .
<https://www.hudexchange.info/training-events/>

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Resources

NSP General Resources

- DRGR Resources

<https://www.hudexchange.info/programs/drgr/>

- NSP and DRGR AAQ

<https://www.hudexchange.info/program-support/my-question/>

- NSP Mailbox

nsp-questions@hud.gov

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THANK YOU!

Join us again at the next NSP Webinar!

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