

NSP 3 Applications Frequently Asked Questions

Submission Instructions

1. Which SF424 is the correct form to use?

The NSP 3 action plan/substantial amendment should include the one-page version of the SF424, *Application for Federal Assistance*, found at [this link](#).

2. What is required to submit a joint application? How can grantees partner and submit one application?

Grantees should refer to the [November 1, 2009 Policy Memo: Guidance on Neighborhood Stabilization Program \(NSP\) Joint Agreements for NSP Grantees](#). This guidance has been updated for NSP 3 to reflect new due dates, but the types of agreements and process will not fundamentally change.

3. Can NSP 3 applicants partner with the state and if so, how should the program be designed?

Yes. This is a form of joint agreement. Applicants will enter into a Memorandum of Understanding (MOU) or Agreement (MOA) with the partnering entity and agree to the terms and conditions for administering compliance areas related to the NSP 3 program in the agreement. MOA/MOU must stipulate that the state will conduct environmental reviews for the applicant. Please refer to the [November 1, 2009 Policy Memo: Guidance on Neighborhood Stabilization Program \(NSP\) Joint Agreements for NSP Grantees](#). This guidance is being updated for NSP 3 to reflect new due dates, but the types of agreements and process will not fundamentally change.

4. What format should grantees use to submit their NSP 3 Action Plans?

Grantees can submit a paper copy of their action plan/substantial amendments in the format provided in [Instructions for Completing the NSP 3 Substantial Amendment or Abbreviated Action Plan](#). Alternatively, they can submit their plan in the Disaster Recovery Grant Recording system (DRGR). The information contained in the action plan will eventually need to be entered into DRGR, so grantees may choose to save time by doing the initial submission to HUD via DRGR. However, the space available for narratives in DRGR may be less than some grantees requires.

5. How do you submit action plans electronically, using DRGR? Are there any instructions available for DRGR plan submissions?

Grantees should contact their field office to let them know that they plan to submit an action plan or substantial amendment in DRGR. The field representative should notify Ryan Flanery at HUD HQ (ryan.d.flanery@hud.gov) to add the grants that they plan to submit via DRGR to DRGR. Then, grantees can go into DRGR and create their action plan through a series of screens.

The Resource Exchange offers many presentations on using DRGR. [Module 4](#) of the training developed for NSP 1 focuses on DRGR and includes screenshots that will assist grantees in setting up their action plan in DRGR.

Important:

- If the grantee chooses to submit its NSP 3 substantial amendment in DRGR, HUD urges it to use the DRGR version of the plan for the purposes of citizen participation and public comment. To do this, the grantee will enter and save the amendment as an action plan in DRGR, then download a PDF copy to use together with the mapping tool data and narrative for the purposes of obtaining comment.
- If Grantees copy text from another document into DRGR, they must save it into Notepad first; do not paste from Wordpad or directly from Microsoft Word). This eliminates unwanted characters that represent software code embedded in MS Word and Wordpad. Text can be formatted in DRGR, after it is pasted from Notepad.
- Grantees submitting their action plan/substantial amendment via DRGR should enter their mapping tool report number into the narrative section and send a PDF copy to their field representative.
- Field office staff can print out the action plan/substantial amendment from DRGR if they prefer to review a hard copy.

6. How do grantees request a waiver of the 10% demolition rule?

Grantees should submit a request for a waiver to the 10% demolition rule, along with justification, to the field office along with their NSP 3 substantial amendment/action plan for HUD approval.

7. What is the required process for notifying the public of the 15 calendar days for public comment?

The NSP 3 Notice requires each grantee to post its action plan/substantial amendment (including the mapping tool data and narrative) on its website for 15 days (expedited from the CDBG requirement of 30 days). At the end of the comment period, the grantee will keep the plan posted but add a summary of public comments. While this is the minimum requirement, HUD encourages grantees to also use print media and other means of distributing the action plan/substantial amendment to maximize the opportunity for public comment.

8. Are NSP 3 Substantial Amendments required to use the PDF print out or is the restatement of the tract level data good enough?

The mapping tool PDF is part of the Action Plan or amendment and must be both provided to citizens for public comment and submitted to HUD. As stated in the [Instructions for Completing the NSP 3 Substantial Amendment or Abbreviated Action Plan](#), grantees should submit their maps (in hard copy or PDF format) with their action plan/substantial amendment submission to HUD no later than March 1, 2011. Grantees submitting their action plan/substantial amendment via DRGR should enter the Neighborhood ID number from the mapping tool into the narrative section and send a PDF copy to their field representative.

9. I submitted a number of different potential target areas using the mapping tool, but I don't get responses to all of them. How long should it take, and who do I contact for help?

The first thing to check is SPAM e-mail—sometimes the auto responses generated by the mapping tool are misread by e-mail software. Responses should take approximately two hours from the time of submission. If the grantees can't find the reports in their spam folder, please contact Ryan Flanery in HUD HQ (ryan.d.flanery@hud.gov) for assistance.

- 10. On pg. 12 of the *Instructions for Completing the NSP 3 Substantial Amendment or Abbreviated Action Plan*, "Determination of Areas of Greatest Need and Applicable TIERS," can you explain what you mean by tiered approach?**

A tiered approach is relevant only to state grantees who are unable to finalize their target areas prior to the March 1, 2011 deadline for submission. State grantees should refer to the [December 29, 2009 Policy Alert: Guidance on Mapping and Needs Data for State NSP 3 Action Plans](#) for more information. Entitlement and non-entitlement communities should not submit tiers of possible target areas. They may add different target areas later via the amendment process. This term has been removed from the instructions.

Target Areas/Areas of Greatest Need

- 11. What is the threshold for census tract selection for selected locations? Must each tract selected meet the minimum allowable score (17 in Ohio) or can the combined score be greater than the threshold (a combination of scores above and below the threshold of 17 that average to a score greater than 17)?**

Each tract does not have to have the minimum allowable score, but the average of the scores for selected areas of greatest need must be the minimum allowable score (in this case, 17) or higher.

- 12. In general, to determine if an area is eligible for NSP 3 funds, what does it mean if the REO index (number of properties to be affected to show impact) is zero? Does this mean that the area is not qualified despite the foreclosure risk score of 17-20?**

When determining a risk score, the mapping tool counts projected foreclosures, not actual foreclosures, in a given census tract. The target area may have a high risk (projected) score, while having a low, or zero, impact score (which is simply 20% times the number of estimated REOs over the *past year* in a given census tract). If the target area that a grantee has drawn has relatively few housing units then the impact score could be zero. Similarly, if an area has a historic vacancy problem there may not be any recent REOs there, and the impact score of zero. So, an area with a foreclosure risk score of 17-20 would be qualified, it just may not have a lot of recent REO properties. The program must still describe how it will make an impact in the area, given the type of units available.

Impact

- 13. The application does not require the grantee to address how they plan to leverage funds— where do they note this?**

Leverage is not a requirement in NSP 3, as it was for NSP2, but it is encouraged. Leverage could be particularly helpful in demonstrating the effectiveness of NSP in each target area. Grantees may need to cite funds beyond their grant amount to substantiate their ability to undertake the activities they list to make a real impact.

14. Can applicants define in their substantial amendment or abbreviated plan alternate target areas with the greatest needs in case of problems encountered with the top priority funding target areas?

No. Grantees are encouraged to examine many possible target areas before choosing areas of greatest need/target areas to submit with their substantial amendment/action plan. If a grantee finds the approved target areas unworkable as the program progresses, they are able to submit new target areas in a substantial amendment. The additional areas of need that are identified but not included in the substantial amendment/action plan will be good to have on hand as a backup plan.

15. Can applicants count the estimated amount of funds that lending institutions will make for loans to eligible buyers as leveraging?

Estimated amounts of funding from lenders for eligible buyers can count as leverage. Remember, though, that leverage is not a requirement for NSP 3.

16. The NSP 3 Program Design Guidebook advises and HUD mapping tool assumes that grantees must address a minimum of 20% of REO units in a target area to make a visible impact.

a. Can an NSP 3 grantee include its anticipated NSP 3 program income when demonstrating that it will address 20% of the REO properties? Some grantees have a great deal of program income, and it seems like grantees should be able to include it.

The 20% figure is a target for grantees to keep in mind, but not an exact figure or requirement. Grantees may not include projected program income for NSP 3 in their plans for stabilizing neighborhoods. Grantees may use program income from NSP 1 and/or NSP 2. Grantees who have received significant program income from NSP 1 and/or NSP 2 should not assume and design their program's impact around the assumption that they will get program income in NSP 3. Only program funds (grant award amount) and leverage should be used in planning to make a visible impact in the areas of greatest need.

b. Can an NSP 3 grantee pick an area in which the combination of its NSP 1 and NSP 3 funds will address 20% of the REO properties? Similarly, can a state and entitlement community invest its NSP 3 money in the same area and in combination these funds each would meet the 20% threshold?

The 20% figure is a target for grantees to keep in mind, but not an exact figure or requirement. A grantee can use a combination of funds to make an impact on the distressed properties in a target area, including funding or program income from NSP 1 and/or NSP 2, as well as other public and private sources. States and entitlement communities can work in the same target areas to make an impact on distressed and REO units.

It is important to remember that 20% is a guide and not an absolute figure—making a meaningful impact may require more or less investment, depending on the market and other conditions in a grantee's target area. 20% is a good number to use to start to figure out what meaningful investment will be.

- 17. In the pursuit of having a tangible impact in a target area, should grantees count REO units or units assisted toward the 20% requirement? When NSP 3 funds assist a rental project that is technically one REO unit [one mortgage], do we count the number of units in the building as the impact, or the number of foreclosures relieved (one)?**

The number of units stabilized will determine impact, not the number of properties.

Rental Housing Preference and Local Hiring

- 18. What does HUD expect from grantees to demonstrate compliance with the rental housing preference?**

Rental housing preference is a requirement that was included in the Dodd-Frank bill that authorized funding for NSP 3, requiring grantees to “establish procedures to create preferences for the development of affordable rental housing for properties assisted with NSP 3 funds”. To meet this requirement, grantees should use the narrative description section of the application to describe their process for determining how much rental housing to include in the NSP 3 effort. If a grantee is not doing a lot of rental housing as part of NSP 3, they should describe why it isn’t doing so (might not be enough money, for example).

- 19. Can the rental preference be met by doing a rental activity to meet the LH25 requirement?**

A rental housing activity undertaken in the pursuit of meeting the LH25 requirement could be a component of a strategy to give rental housing preference.

- 20. How can grantees meet the vicinity hiring requirement without amending local code?**

Dodd-Frank also stipulated that grantees should, “to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity, as such term is described by the Secretary, of project funded under this section or contract with small businesses that are owned and operated by persons residing in the vicinity of such projects.” For the purposes of NSP 3, “vicinity” is defined as the target area or area of greatest need.

Grantees should review the Section 3 applicability thresholds for community development assistance at [24 CFR 135.3\(a\)\(3\)\(ii\)](#). [More guidance on Section 3](#) can be found on the [NSP Resource Exchange](#). In addition, vicinity hiring will be a topic at the clinics, and a toolkit is forthcoming. Grantees should contact an attorney to address perceived conflicts between the vicinity hiring requirement and applicable local code.

- 21. When providing vicinity-hiring information, does a grantee have to procure the developer/contractor/vendor from the vicinity? Or is it just that the developer/contractor/vendor must to the maximum extent feasible, hire employees who reside in the vicinity of NSP 3 projects.**

The vicinity-hiring requirement implicates the grantee, as well as developers, contractors, and vendors who hire and subcontract for NSP 3-funded projects. The grantee should, when faced with a choice between a qualified contractor/developer/job applicant located in the vicinity area and a qualified contractor/developer/ job applicant from outside the vicinity area, select the qualified contractor/developer/ job applicant from inside the area.

Amendments

22. If a deal comes apart post-application and a grantee must take on a new project, will an amendment be required?

A subsequent amendment to the action plan/substantial amendment is needed under any one of the following circumstances:

- The grantee changes its allocation priorities or the method of funds distribution
- The grantee wishes to carry out an activity that was not previously described in the action plan
- The grantee changes the purpose, scope, location, or beneficiaries of an activity.

If a deal falls apart after the action plan/amendment is approved, but a new deal can be made in the same target area involving the same activities and beneficiaries, an amendment would not be necessary. Remember that the amendment process for NSP3 is similar to NSP1 and grantees will not have to follow the more arduous process required by NSP2 grantees.

23. If we receive and re-distribute any program income, will we have to do another amendment?

If program income will be used for the same activities and the same target areas specified in the application, an amendment would not be necessary. If the grantee would like to use the money for a new activity or purpose, in a new target area, or with new beneficiaries in mind (not included in the original action plan approved by HUD), then an amendment would be required to use the program income in this manner.

Using NSP 1 and NSP2 with NSP 3

24. Our NSP 3 target areas will be the same as our previous target areas. We intend to layer NSP 1 (and/or NSP2) funds in the same areas, sometimes on the same properties.

The requirements for NSP 3 target areas are substantially different from the requirements for NSP 1 and NSP2. First, make sure the proposed areas qualify under NSP 3. If the area qualifies, it is acceptable to choose it for NSP 3, even if it is also the target area for NSP 1 or NSP 2.

To add NSP 3 funds to a project that is already underway in NSP 1 or NSP 2, make sure that you are carefully following the guidance about when and how to report a completed activity and enter household/unit information and the street address of the unit. For example, if you acquired a property under NSP 1 and will rehab it under NSP 3, you will actually meet a national objective only after the use of the NSP 3 funds. Both the NSP 1 and NSP 3 action plans in DRGR will show projected numbers of units, including any unit projected to receive funds from that grant, even if it is a duplicate. Then, in the NSP 1 QPR, when the acquisition activity is complete, you will enter the property address—but not enter household benefit information because no household has benefited yet. Make sure to note in the NSP 1 QPR how this activity will meet a national objective because this will stand out on HUD's exception reports. Then, at completion of the NSP 3 rehab activity, you will enter into the NSP 3 QPR the number of households benefiting (occupying the property) and number of housing units, and once again enter the unit addresses. HUD will use the unit address information to unite the data from both grants and get complete information about NSP investment in the project.

25. Can an NSP 3 grantee propose to fund activities land banked (acquired with NSP 1 funds) and provide rehabilitation, demolition and/or redevelopment activities with NSP 3 funds?

Yes, as long as the activity is eligible, meets a national objective, and is located in an area of greatest need.

Miscellaneous

26. NSP 1 recipient who received funds from the state. The question is whether the consultant they contracted with under NSP 1 could be used without undergoing a new procurement. They would like to simply amend the existing contract for NSP 1 to add the NSP 3 grant activity of managing the NSP 3 grant and preparing the “abbreviated” consolidated plan. A rough review suggest not, especially since one grant is with the state as a subrecipient and the other NSP 3 directly from HUD.

It depends on what the contract says. Some allow extensions without new bidding; some don't. They may have language that permits additions of work from other sources of funds. If the contract is narrowly drawn and limits itself to the specific project, then they might have to re-bid. Usually for consultants, it is a request for qualifications, which is faster than a full sealed bid. Grantees should also keep in mind the Section 3 requirements and the emphasis on vicinity hiring in the NSP 3 Notice when evaluating a potential contract extension.

27. The Federal Register notice indicates that all gut rehabs of three stories or less "must be designed to meet the standard for Energy Star Qualified New Homes." Does there need to be an independent test or analysis of the home done after construction to ensure that the standard is met (like there is with LEED certification)?

Energy Star qualification does involve an independent analysis and verification to receive certification. For example, just specifying a certain level of insulation does not guarantee that it will be installed correctly to achieve the energy savings. More information is available on the [EnergyStar website](#).

28. When you have a large area to cover with many municipalities that you represent, how do you narrow down your selection area and balance representation versus impact?

In general, grantees should focus on a small enough area to make a large impact. It's also important to consider that choosing a set of target areas with needs scores of 20 might not allow the grantee to make a meaningful impact. Areas with score medium- to medium-high scores could also be considered as they may not require as much help to make a big impact. This may be a better match for the grantee's program given the level of funding available.

29. One of our communities is using the HOME affordability regulations as a minimum and safe harbor for NSP 3. The issue was they would like clarification on what rules govern the rent limits for housing to meet the LH25 set-aside requirement. They believe there is conflicting guidance and would like to ensure the NSP program is in compliance. The following are the two interpretations they received from the webinar:

In order to count as meeting the LH25 set-aside, rents may not exceed annual limits established by the grantee, such as HUD fair market rate. However, under this interpretation there is no consideration given to household income. Simply, if the person qualifies as LH25 and the FMR rate for one bedroom is \$995 then that is the maximum that can be charged.

OR

According to page two of the Resource Exchange toolkit titled “Creating an NSP-Eligible Rental Projects” (attached) “only those units that are restricted for occupancy by households with incomes at or below 50% AMI, and that have rents affordable at 50% AMI², will count toward the LH25 Set-Aside requirement.” The footnote referenced states “That is, with rent and utilities not more than 30% of 50% AMI (adjusted for household size).”For now, we are operating under the more restrictive rule (2 above).

The second interpretation is correct.