

HUD Announces Neighborhood Stabilization Program 2 Grants

On January 14, the Department of Housing and Urban Development (HUD) awarded \$2 billion in Neighborhood Stabilization Program 2 (NSP2) funds to 56 grantees that included states, local governments and nonprofits.¹ Grantees can use NSP2 funds to buy foreclosed or abandoned homes to be rehabilitated, sold or demolished in order to stabilize neighborhoods.² At least 25% of the funds must be used to house families at or below 50% of Area Median Income (AMI).³

Unlike the original NSP1 program,⁴ which awarded nearly \$4 billion in formula funds to entitlement jurisdictions, NSP2 grants were awarded through a competitive process. The NSP2 program was funded by the American Recovery and Reinvestment Act of 2009. NSP2 applications were submitted to HUD in July 2009.

Most of the grantees applied as regional consortiums made up of local governments, nonprofits and for-profit entities. The grants ranged from \$223.9 million for the Michigan State Housing Department Authority to \$5 million for the city of Reading, Pennsylvania. The states receiving the largest allocations of NSP2 funds included California, Florida, Illinois, Michigan and Ohio. Cities receiving at least \$40 million in NSP2 funds included Phoenix, Los Angeles, Chicago and Philadelphia, with Los Angeles receiving \$100 million. Several local housing authorities received NSP2 funds, including housing authorities for the cities of Prichard, Alabama; Tampa, Florida; Camden, New Jersey; and Reno, Nevada. Additionally, four national applicants—Chicanos Por La Causa, Center for Community Self-Help, The Community Builders, Inc. and Habitat for Humanity International—received substantial awards and will carry out activities in target areas throughout the country.

Proposed Uses of NSP2 Funds

In addition to releasing the list of grantees, HUD also provided brief summaries of each grantee's proposal for using the NSP2 funds. Several of these proposals seek

to increase the supply of affordable rental housing. For example, the Cuyahoga County Land Reutilization Corporation plans to provide 134 rental units with developmental assistance specifically for households at or below 50% of AMI. In East Chicago, Indiana, The Community Builders, Inc. plans to work with the local housing authority and the Hispanic Housing Development Corporation to develop 75 rental townhouses for families below 60% of AMI, with half targeted to families under 50% of AMI and 15% for public housing families. The city of Los Angeles plans to use its NSP2 funds to acquire, rehabilitate and resell 947 multifamily rental units.

Several of the grantees plan to use green building and energy efficient strategies in their use of NSP2 funds, including the city of Chicago, Housing Authority of the City of Prichard, city of North Little Rock, Pima County, Arizona and the National Housing Trust Community Development Fund. Further, some of the grantees plan to use NSP2 funds to integrate redevelopment with accessibility to public transit, including the Denver Office of Economic Development and the city of Philadelphia.

Vast Majority of Applications Unfunded

Competition for the grants was fierce. HUD received approximately 500 applications for the NSP2 funds requesting a total of \$12 billion in funding.⁵ All applications were reviewed by teams of two, who presented score recommendations to two panelists who made final score decisions.⁶ The major criteria that were used to evaluate NSP2 applications included the extent of foreclosure needs in the targeted geographic area; the applicant's recent experience in purchasing and rehabilitating at least 75 homes; the applicant's proposed strategy for stabilizing the target geography; and the applicant's ability to purchase and rehabilitate or demolish at least 100 homes and use at least 25% of the funds awarded to serve very low-income households.⁷ In explaining why only 56 grants were awarded, HUD noted that grantees were selected based on expertise in activities that will not only stabilize the foreclosure crisis, but will also leverage other resources to promote community revitalization.⁸

HUD's award announcement was controversial in some jurisdictions. Officials in Youngstown, Ohio, expressed shock and disappointment that the city's consortium application was not funded, especially since the application had been cited as a model by the Brookings Institution.⁹ Similarly, Senate Majority Leader Harry

¹The complete list of grantees is available on HUD's website. See HUD, Press Releases, 2010, HUD Secretary Donovan Announces \$2 Billion in Recovery Act Grants to Stabilize Neighborhoods, Rebuild Local Economies (Jan. 14, 2010), http://portal.hud.gov/portal/page/portal/HUD/press/press_releases_media_advisories/2010/HUDNo.10-012. An overview of the NSP2 program is available at the National Housing Law Project's (NHLP) website. See NHLP, Resource Center, Neighborhood Stabilization Program (NSP2) Under the Recovery Act, <http://nhlp.org/files/1.%20NSP2%20under%20the%20Recovery%20Act.pdf>.

²NOFA for NSP 2 under the American Recovery and Reinvestment Act (May 4, 2009), <http://www.hud.gov/recovery/nsp2-nofa.pdf>.

³*Id.*

⁴For background information on NSP1, see NHLP, *HUD Issues Regulations Implementing the Neighborhood Stabilization Program*, 38 Hous. L. Bull. 215 (Oct. 2008).

⁵HUD, Neighborhood Stabilization Program Grants, FAQs on NSP2, http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp2_quest_answers.pdf.

⁶*Id.*

⁷*Id.*

⁸*Id.*

⁹George Nelson, *HUD Snubs Valley Bid for Neighborhood Funds*, Bus. J. Daily (Jan. 15, 2010), <http://www.business-journal.com/default.asp?sourceid=&smenu=1&twindow=&mad=&sdetail=15463&wpage=1&skey>

Reid (D-NV) issued a statement that he was “extremely disappointed” that southern Nevada was denied funding given the severity of the region’s foreclosure crisis.¹⁰ However, Reid acknowledged that HUD indicated that applicants in southern Nevada did not meet eligibility requirements, and that several agencies receiving NSP1 funds were not spending them in a timely fashion.

According to HUD, unsuccessful applicants may make a written request for a debriefing on their applications.¹¹ Information provided during a debriefing will include, at a minimum, the final score the applicant received for each rating factor; final evaluator comments for each rating factor; and a final assessment indicating the basis on which assistance was denied.¹²

Conclusion

The NSP2 funds offer unprecedented opportunities for communities to create long-term affordable housing for low-income families. Advocates in jurisdictions receiving NSP2 funds should ask grant recipients for copies of their NSP2 applications in order to familiarize themselves with the recipient’s plans for using the NSP2 funds. Advocates should also consider meeting with grantees to discuss issues affecting low-income communities,¹³ such as how the grantee plans to meet its obligation to use 25% of the funds to house families at or below 50% of AMI; how the grantee intends to maintain long-term affordability of NSP-2 assisted units; how the grantee will affirmatively further fair housing choice in NSP2-funded programs; and how the recipient intends to prevent unnecessary displacement of tenants in foreclosed properties that are being purchased or rehabilitated with NSP2 funds. Advocates should also monitor the quarterly performance reports that NSP2 grantees are required to prominently post on their websites.¹⁴

Additionally, all advocates, regardless of whether their jurisdictions received a second round of NSP funds, should monitor local expenditure of NSP1 funds to ensure that jurisdictions are spending their funds in a timely fashion and are meeting their obligation to serve families at or below 50% of AMI. NSP1 recipients submitted quar-

terly reports to HUD in July 2009, October 2009 and January 2010 and were required to post these reports on their websites. The National Housing Law Project has compiled a list of jurisdictions that have posted their quarterly reports¹⁵ and has created an advocates’ guide for reviewing the reports.¹⁶ ■

¹⁵NHLP, NSP1 Quarterly Reports, <http://nhlp.org/node/1198>.

¹⁶NHLP, Advocates’ Checklist: NSP1 Quarterly Reports, <http://nhlp.org/node/1214>.

HUD Issues Final Rule on Disclosure of Social Security Numbers

In recent months, the *Bulletin* has reported on a pending final rule by the Department of Housing and Urban Development (HUD) regarding disclosure of Social Security numbers (SSNs) by applicants and participants in certain federally subsidized housing programs.¹ The rule would require each member of every applicant or participant household to produce both a valid SSN card issued by the Social Security Administration (SSA) and independent documentation containing corroborative data. The stated purpose of the rule is to reduce overpayments by requiring public and assisted housing operators to use HUD’s Enterprise Income Verification (EIV) system to verify employment and income of program participants.²

HUD published a final rule regarding SSN disclosure on January 27, 2009,³ but delayed the effective date of the rule in response to concerns raised by resident, advocacy, policy and civil rights organizations.⁴ After months of review, HUD issued a proposed rule on October 15, 2009.⁵ The final rule was published on December 29, 2009.⁶ This

¹NHLP, *HUD Reissues Social Security Number Rules*, 39 HOUS. L. BULL. 275 (Nov-Dec. 2009); NHLP, *HUD Delays Effective Date of Social Security Number Rule*, 39 HOUS. L. BULL. 223, 226 (Sept. 2009); NHLP, *Delayed HUD Rule Would Alter Social Security Number Requirements*, 39 HOUS. L. BULL. 71, 80 (Mar. 2009).

²Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs: Implementation of the Enterprise Income Verification System—Amendments; Final Rule, 74 Fed. Reg. 68,924 (Dec. 29, 2009) [hereinafter December 29 Final Rule].

³Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs: Implementation of Enterprise Income Verification, Proposed Rule, 74 Fed. Reg. 4,832 (Jan. 27, 2009) [hereinafter January 27 Final Rule].

⁴Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs; Delay of Effective Date, 74 Fed. Reg. 44,285 (Aug. 28, 2009).

⁵Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs: Implementation of Enterprise Income Verification, 74 Fed. Reg. 52,931 (Oct. 15, 2009) [hereinafter October 15 Proposed Rule].

⁶December 29 Final Rule, 74 Fed. Reg. 68,924 (to be codified at 24 C.F.R.

word=&siteid=&ccat=&ccatm=&restate=&restatus=&reoption=&retype=&repmin=&repmax=&rebed=&rebath=&subname=&pform=&sc=1711&hn=business-journal&he=.com.

¹⁰Reid Statement on the Denial of Southern Nevada’s Request for Foreclosure Assistance (Jan. 14, 2010), http://www.reid.senate.gov/newsroom/pr_011410_snvhuddeny.cfm.

¹¹HUD, Neighborhood Stabilization Program Grants, FAQs on NSP2, http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp2_quest_answers.pdf.

¹²*Id.*

¹³For an overview of NSP2 issues that are of particular interest to low-income housing advocates, see NHLP, Resource Center, Neighborhood Stabilization Program (NSP2) Under the Recovery Act, <http://nhlp.org/files/1.%20NSP2%20under%20the%20Recovery%20Act.pdf>.

¹⁴NOFA for NSP2 under the American Recovery and Reinvestment Act 71 (May 4, 2009), <http://www.hud.gov/recovery/nsp2-nofa.pdf>.