

## Neighborhood Stabilization Program Update

March 2009

### Timeline for Round I and Round II NSP Funds

Round I NSP Funds:	Round II NSP Funds:
HUD to establish allocation formula within 60 days of HERA's enactment (September 30, 2008)	HUD to establish competition criteria with 75 days of ARRA's enactment (April 26, 2009)
HUD to distribute funds within 30 days of establishing the allocation formula (October 29, 2008) – <i>HUD is currently reviewing the proposals submitted by localities. Funds will be distributed as the proposals are approved by HUD.</i>	States, local governments, nonprofit entities and consortia of nonprofit entities, in partnership with for profit entities, to submit applications to HUD with 150 days of ARRA's enactment (July 10, 2009)
Localities to use NSP funds within 18 months of distribution (April, 2010)	HUD to obligate funds within 1 year of ARRA's enactment (February 17, 2010)
	Grantees to expend 50% of funds within 2 years of receipt of funds; Grantees to expend 100% of funds within 3 years of receipt of funds

### Legislative Background

Title III of the Housing and Economic Recovery Act of 2008 (HERA), Pub. L. 110-289, enacted July 30, 2008, authorized the Neighborhood Stabilization Program (NSP) through the Community Development Block Grant (CDBG) program, funding \$3.92 billion to localities to reposition abandoned and foreclosed-upon homes as affordable housing.

Division A, Title XII of the American Recovery and Reinvestment Act of 2009 (ARRA), Pub. L. 111-5, enacted February 17, 2009, provided \$2 billion in additional funding for NSP. ARRA amended in part the initial round of NSP funds. The second round is designed to be allocated on a competitive basis to states, units of general local government, and nonprofit entities or consortia of nonprofit entities, which may submit proposals in partnership with for profit entities. HUD will select grantees in areas with the greatest number and percentage of foreclosures, who can expend funding within the period allowed. Additional award criteria will include demonstrated grantee capacity to execute projects, leveraging potential and concentration of investment to achieve neighborhood stabilization.

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## Eligible Uses as set forth in HERA and as amended by ARRA

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Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers
Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties
Establish and operate land banks for homes and residential properties that have been foreclosed upon
Demolish blighted structures
Redevelop demolished or vacant properties as housing

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### Regulatory Guidance

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On October 6, 2008, the Department of Housing and Urban Development (HUD) issued its Notice of Allocations for NSP, 73 F.R. 58330. The Notice is located at: <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf> The Notice waived certain regulatory requirements, in particular certain CDBG program requirements. HUD's Disaster Recovery Grant Reporting System is tracking the use of Round I NSP funds. HUD has recently provided additional guidance on NSP, clarifying the definitions of "abandoned", "foreclosed", "low-income set-aside", "homes", and "residential properties" for NSP purposes.

Expect to see a Notice from HUD in April regarding the competition criteria for Round II NSP funds. Submissions to HUD will be due in early July. Hopefully, HUD and participating jurisdictions will have some early feedback on the successes and obstacles in utilizing NSP funds in the next few months, particularly as Round II NSP funds become available.

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If you anticipate applying for Round II NSP funds and would like to discuss your submission, or if you have any other questions regarding the Neighborhood Stabilization Program, please contact:

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