

# HERA and the Neighborhood Stabilization Program: Plan Timetable

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Housing



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# National Housing Trust Fund

- Establishes a Housing Trust Fund to provide grants to states for use to:
  - Increase & preserve the supply of rental housing for extremely low and very low income families, including homeless
  - Increase homeownership for low and very low income families
- For the first 3 years, a percentage of the funds will be diverted to a reserve fund for cover losses that FHA may incur by refinancing troubled mortgages through the new HOPE for Homeowners program
- HUD Secretary has 12 months to establish distribution formula
- Colorado should receive some funds by Fiscal Year 2010
- A minimum allocation of \$3 million has been established
- Governor must designate the administrator of the fund



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# Capital Magnet Fund

- Approximately 26 % of the Government Sponsored Enterprise funding will be administered through competitive grants to Community Development Financial Institutions (CDFI) by the Treasury Department
- Funding can be used for:
  - Housing development and preservation activities
  - Economic development
  - Affordable rental or single-family.
  - Community service facilities linked to affordable housing in rural and low-income areas
  - Revolving loan fund like a local Housing Trust Fund or State Housing Trust are also eligible uses
- Selection criteria include:
  - The number of low-income families served
  - The extent of blight
  - Projects that target very low-income families



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# HUD's NSP COLORADO ALLOCATION

- Allocations:
- Colorado State Program           \$34,013,566
- Adams County                         \$ 4,600,211
- Aurora                                     \$ 4,474,097
- Colorado Springs                     \$ 3,904,989
- Denver                                    \$ 6,060,170
- TOTAL TO STATE OF COLORADO:  
  \$53,053,033



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# How were funds allocated?

- Grants were targeted to approximately 300 cities, counties, and states. The formula allocated 70% of the funds based on the number and percent of foreclosures, 15% for subprime loans, 10% for loans in default (delinquent 90 days or longer), and 5% for loans delinquent 60 to 90 days.
- The statute required that each state receive a minimum of 0.5% of the total (\$19.6 million). After reserving \$19.6 million for each state, HUD calculated how much of the remaining state amount CDBG entitlement and non-entitlement areas would receive under the formula. To ensure targeting to areas of greatest need, HUD limited direct allocations to those localities owed at least \$2 million under the formula and allocated the balance to the State to assist all high-need locations.
- Colorado received the 19<sup>th</sup> largest combined total.



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# Eligible uses of funds

- Establish land banks for homes that have been foreclosed upon.
- Demolish blighted structures.
- Redevelop demolished or vacant properties.
- Foreclosure prevention activities are *not* permitted.
- Up to 10% of the NSP grant (and 10% of any program income) can be used for general program administration and planning costs (as defined under CDBG) and state technical assistance. (Staff, consultant and other overhead costs involved in program delivery—including reasonable developer fees—can be funded through subrecipient agreements or contracts for services.)



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# Eligible uses of funds

- - HUD will allow NSP grantees to incur pre-award costs as if they were a new grantee preparing to receive their first CDBG allocation. This includes developing the action plan amendment, and can be charged to the NSP grant, subject to current CDBG limits (up to \$300,000). This provision does not apply to localities applying to states for an allocation.
- - States can fund Indian tribes and entitlement communities.
- - NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public park, commercial use, or mixed residential and commercial use.



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# Eligible uses of funds

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers. Homebuyer counseling and training in connection with home rehabilitation or redevelopment and resale programs are also eligible activities, with some apparent limitations.
- 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.



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# What is the State's Approach?

- Upcoming steps:
  - 1.Data gathering
  - 2.Solicitation of community and local government input
    - “Intent to Apply” plans from potential grantees.
  - 3.Considering cooperation with the different direct recipients of HERA funds. (Denver, Adams County, etc.)
  - 4.Submit State Plan to HUD
    - Post for comments



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# DIVISION OF HOUSING ACTION PLAN

- Flexible document based on statute.
- Identify the areas of greatest need – State must give “priority emphasis and consideration” to these areas.
- Identify the specific activities and uses of the funds to address foreclosed and abandoned properties.
- Estimate the amount of funds for each activity.



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# DIVISION OF HOUSING ACTION PLAN

- Provide the name and location of entity carrying out the activity and the expected start date.
- Define who will benefit and set performance measures
- Define various terms based on State Law (blighted structure, affordable rents etc.)
- Action must be posted to our website by November 5, 2008.



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# Recap: What is the State's Approach?

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# Comments

- If you'd like to comment on the plan, please send your comments to:
  - [Scott.Baldwin@state.co.us](mailto:Scott.Baldwin@state.co.us)



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# Important Dates

- Deadline for comments before CDH plan is posted online: October 30
- CDH plan will be posted online November 5.
- Plan will be submitted to HUD by December 1.



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# Resources

- **Enterprise Community Partners:  
Summary of HUD Neighborhood  
Stabilization Program Notice**
  - [http://www.saveamericasneighborhoods.org/documents/hud\\_nsp\\_notice\\_summary.pdf](http://www.saveamericasneighborhoods.org/documents/hud_nsp_notice_summary.pdf)



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