

NEIGHBORHOOD STABILIZATION PROGRAM: APPLICATION SELECTION PROCESS

Purpose of the Program:

The purpose of this program created in Title III, Division B of the Housing and Economic Recovery Act of 2008 is to stabilize neighborhoods experiencing the negative effects of the subprime mortgage crisis and the general economic downturn. Uses for NSP funds are property acquisition, demolition, rehabilitation and for the creation and operation of land banks, in any combination, to spur neighborhood recovery.

Funding to New Jersey:

As the State CDBG grantee, the Department of Community Affairs (DCA) received \$51.4M after HUD approved the amended Action Plan. The State budgeted \$3,860,296 for administrative purposes. HUD regulations also required that the Department allocate 25% or \$12.9M, to be used to benefit individuals or families whose incomes were at or below 50% of AMI. \$47,610,324 is available for programmatic purposes including the acquisition and rehabilitation of abandoned or foreclosed properties for households at or below 120% of AMI.

Action Plan Amendment:

To expedite the use of these funds, Congress elected to fund the NSP through HUD's existing Community Development Block Grant Program. CDBG entitlements amended their CDBG annual plan, the "Action Plan," and submit to HUD for approval by December 1, 2008. The New Jersey Action Plan included DCA's NSP budget and the methodology on the distribution of funds. Eligible NSP census tracts were also published in the Action Plan amendment. The State also set limits on maximal awards per neighborhoods (\$2,500,000) and municipalities (\$5,000,000).

On November 15, 2008 the DCA posted the Action Plan on the website for 15 days to allow for public comment. Eight comments were received before the deadline; they were reviewed and incorporated in the final document. Minor changes were made to plan as a result of the Public comments. HUD approved New Jersey's Action Plan Amendment on January 26, 2009.

NSP SAGE Application:

An NSP application was announced and posted on NJ SAGE by 09 December 2008. The application design was a hybrid of existing DCA programs including the Neighborhood Preservation Program, Small Cities-CDBG Program, Office of Housing Advocacy, and the Balanced Housing Program.

The application was complex; the Division received many calls regarding questions and requests for technical assistance. Subsequently, the Department conducted a NSP application workshop on 26 January 2009 attended by 68 representatives of municipalities, non-profits and for profit developers. The NSP Application deadline was February 6, 2009. A total of 144 applications were entered into SAGE; only 73 were submitted on or before the midnight deadline.

NSP Application Review Process:

Threshold Review: DHCR identified a team of 18 staffers from the NPP/NRTC programs, the Balanced Housing Program, and the Office of Smart Growth to conduct application threshold reviews for the eligible 73 application submitted. Nine teams of 2 staff members were assigned approximately 9 applications apiece to review for initial threshold requirements. Threshold reviews included

completeness, eligible applicants, eligible project locations, HUD Risk Scores, eligible program activities, sufficient municipal support, proper budgets, matching funds and low income set asides.

In mid February, Division staff conducted a workshop to train teams regarding the review and the parameters of scores for the threshold review. Teams reviewed and scored all submitted applications.

The Threshold Review teams reassembled on February 19 and 20, 2009 and presented threshold reviews. At the conclusion, the eligible list was reduced to 52 applications. The applications that “failed” the threshold review were re-reviewed, and it was determined that additional applications were eligible; the new total was 56.

Once the final list was in place, the DCR staff shuffled the review teams and included selected HMFA staff to participate in the process. A second round of staff training took place on 24 February to discuss the next round.

These review teams were given new assignments (between 6 and 10 applications) based on logistics and scheduled site visits. The site visits occurred between 06 and 16 March and the applicants were scored criteria including:

- Capacity
- Readiness to Proceed
- Low Income Benefit
- Neighborhood Plan
- Potential Impact
- Dedicated Leveraged Funds
- Commitment to Affordability Controls

Teams reassembled on 17 March for a post interview discussion and to ensure that all teams were applying the same criteria and scoring levels. Scores varied from team to team and were applied somewhat subjectively. The final review team conducted post review discussions and made some minor adjustments to level-out of a few scores to bring more consistency and evenness to the collective group.

Individual spread sheets were developed to display all pertinent information collected during the application site visit reviews. The applications were ranked 1 through 58 (including 2 additional applications) based on the findings and total scores. An Executive Review took place on 26 March to review the findings and rankings.

Application Rankings:

DHCR staff ranked the applications from 1 to 58 based on the all review criteria, provided recommended funding levels, and provided brief comments and a staff recommendation of:

- Strongly Recommended
- Fundable, or
- Not Recommended.

Staff performed a responsible and thorough job with the overall reviews, although there were a few scores that were inconsistent with staff funding recommendations. Though many had merit after an explanation from the staff, it was determined that the inconsistencies needed to be resolved. The staff reviewed again and adjusted the scores to better resemble the intent of the staff recommendations.

The final component of the staff findings includes information broken down by funding category. The NJ Action Plan includes a NSP budget with specific budget line items. The individual budget categories, as determined by DCA/HMFA staff in October 2008 are:

- Acquisition
- Demolition
- Rehabilitation
- New Construction
- Land Banking.

As presented, several of the budget categories are exhausted by the 18th or 19th application, while the Land Bank category remains untouched. Thus, it become evident that the staff/executive staff must amend the State Plan's approved budget in order to reach more applicants.

DHRC staff also listed a priority sheet of applications by municipality. The collective budgets (where there were multiple applications per municipality) were then totaled and also ranked by local preference.

It is understood that the DHCR will adjust various budget categories to allow the Department to fund applications whose scores were in the 20s and 30s. HUD has clarified that we are permitted to adjust up to 25% of the total funds amongst the budget categories. Using this strategy, the Commissioner has the option of awarding projects that are lower on the list.