

Neighborhood Stabilization Program (NSP) Guidelines

Summary:

The NSP will provide funds to municipalities and for-profit/nonprofit developers to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight in targeted areas. The State's goal is to stabilize neighborhoods where a rise in foreclosures is contributing significantly to declining home values and property deterioration. NSP funds will be prioritized where the remedies provided for under NSP have a good probability of stabilizing the local housing market.

Eligible applicants:

- Local units of government, including CDBG entitlements and Small Cities jurisdictions; and
- Nonprofit and for-profit developers that demonstrate strong financial and organizational capacity, and development experience.

Eligible Activities:

- Acquisition of foreclosed and abandoned housing units;
- Rehabilitation of housing units in order to sell or rent such units to households at or below 120 percent of Area Median Income(AMI);
- Demolition of blighted structures;
- New construction of housing for projects involving the redevelopment of demolished or vacant properties;
- Redevelopment of acquired property for non-residential uses, including public parks, commercial uses, or mixed residential and commercial use; and
- Establishment of a land bank for homes that have been foreclosed on.

Income Eligibility:

NSP funds must be utilized for activities that benefit individuals/households with incomes at 120% or less of the AMI.

120 percent of AMI income limits are as follows:

NEIGHBORHOOD STABILIZATION PROGRAM 120 PERCENT INCOME LIMITS								
COUNTY	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Atlantic	\$54,750	\$62,600	\$70,400	\$78,250	\$84,500	\$90,750	\$97,000	\$103,300
Bergen, Passaic	\$73,500	\$84,000	\$94,500	\$105,000	\$113,400	\$121,800	\$130,200	\$138,600
Camden, Burlington, Gloucester, Salem	\$62,400	\$71,350	\$80,250	\$89,150	\$96,300	\$103,450	\$110,550	\$117,700
Cumberland	\$49,300	\$56,350	\$63,400	\$70,450	\$76,100	\$81,700	\$87,350	\$93,000
Essex, Morris, Sussex, Union, Warren	\$70,900	\$81,000	\$91,150	\$101,300	\$109,400	\$117,500	\$125,600	\$133,700
Hudson	\$58,400	\$66,700	\$75,050	\$83,400	\$90,050	\$96,750	\$103,400	\$110,100
Hunterdon, Middlesex, Somerset	\$81,250	\$92,850	\$104,450	\$116,050	\$125,300	\$134,600	\$143,900	\$153,150
Mercer	\$71,750	\$82,000	\$92,250	\$102,500	\$110,700	\$118,900	\$127,100	\$135,250
Monmouth, Ocean	\$71,400	\$81,600	\$91,800	\$102,000	\$110,150	\$118,300	\$126,500	\$134,650
Warren	\$69,950	\$79,950	\$89,950	\$99,950	\$107,950	\$115,950	\$123,950	\$131,950

Please note that these income limits are expected to change in February 2009.

Low Income Targeting:

The State has set-aside \$12.86 million in NSP funds, 25% of its allocation, for the purchase and redevelopment of abandoned or foreclosed upon units to create housing for households earning up to 50 percent of area median income. These funds can be used to create either affordable rental or homeownership units.

The applicant is required to show how, at a minimum this 25% requirement will be met.

50 percent of AMI limits are as follows:

NEIGHBORHOOD STABILIZATION PROGRAM 50 PERCENT INCOME LIMITS								
COUNTY	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Atlantic	\$22,800	\$26,100	\$29,350	\$32,600	\$35,200	\$37,800	\$40,400	\$43,050
Bergen, Passaic	\$30,650	\$35,000	\$39,400	\$43,750	\$47,250	\$50,750	\$54,250	\$57,750
Camden, Burlington, Gloucester, Salem	\$26,000	\$29,700	\$33,450	\$37,150	\$40,100	\$43,100	\$46,050	\$49,050
Cumberland	\$20,550	\$23,500	\$26,400	\$29,350	\$31,700	\$34,050	\$36,400	\$38,750
Essex, Morris, Sussex, Union, Warren	\$29,550	\$33,750	\$38,000	\$42,200	\$45,600	\$48,950	\$52,350	\$55,700
Hudson	\$24,350	\$27,800	\$31,300	\$34,750	\$37,550	\$40,300	\$43,100	\$45,850
Hunterdon, Middlesex, Somerset	\$33,850	\$38,700	\$43,500	\$48,350	\$52,200	\$56,100	\$59,950	\$63,800
Mercer	\$29,900	\$34,150	\$38,450	\$42,700	\$46,100	\$49,550	\$52,950	\$56,350
Monmouth, Ocean	\$29,750	\$34,000	\$38,250	\$42,500	\$45,900	\$49,300	\$52,700	\$56,100
Warren	\$29,150	\$33,300	\$37,500	\$41,650	\$45,000	\$48,300	\$51,650	\$55,000

Please note that these income limits are expected to change in February 2009.

Assurance of Continued Affordability

All units assisted with NSP funds will be subject to the following **minimum** affordability restrictions. Restrictions must be contained in a security instrument filed against the property in a form acceptable to the Department.

Rental Housing NSP amount per-unit	Minimum period of affordability in years
Rehabilitation or acquisition of existing housing Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15
New Construction	20

Homeownership NSP amount per-unit	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

Eligible Neighborhoods/Target Areas:

A neighborhood for this initiative is defined as a geographic area with clearly delineated boundaries. The NSP neighborhood may contain one or more contiguous census tracts or portions thereof in one municipality or contiguous census tracts in adjoining municipalities that share similar physical, economic and social characteristics.

For neighborhoods containing contiguous census tracts in adjoining municipalities, a Municipal Resolution is required from all Municipalities.

NSP funds will be directed to revitalize housing markets that have been disrupted by the fallout from subprime lending practices. These areas are identified as those hard hit by foreclosures and which are statistically at high risk of continued market deterioration but otherwise have attributes that will help ameliorate the impact of the foreclosures. The State's priority is to focus on neighborhoods with existing community planning infrastructure and relevant low-income assistance programs. These neighborhoods include those that:

1. Are participating in the State's Neighborhood Preservation Program;
2. Have plans and private investment through the Neighborhood Revitalization Tax Credit;
3. Have ongoing CDBG investment;
4. Have been targeted for other state, county or local investment or where other state or local investments are ongoing.

5. Have local availability of foreclosure prevention programs such as Legal Services of New Jersey (providing legal representation and anti-predatory lending efforts), HMFA's Mortgage Assistance Program (foreclosure counseling services through HUD certified counselors) and other community based assistance.

The list of target areas is available in the NSP Action Plan which is posted on the Department of Community Affairs' web site at:

<http://www.nj.gov/dca/dh/>

Please note: the Department will consider applications to assist non-targeted areas if the applicant can justify the effectiveness of the investment based on the State's priorities and on the HUD regulations.

Maximum Per-Unit Subsidy Amount:

The total amount of NSP funds that may be invested per-unit may not exceed the following limitations:

NSP MAXIMUM PER UNIT SUBSIDY					
COUNTY	0 BR	1 BR	2 BR	3 BR	4 BR
Atlantic	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Bergen	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Burlington	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Camden	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Cape May	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Cumberland	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Essex	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Gloucester	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Hudson	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Hunterdon	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Mercer	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Middlesex	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Monmouth	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Morris	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Ocean	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Passaic	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Salem	\$134,776	\$154,495	\$187,866	\$243,037	\$266,781
Somerset	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Sussex	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Union	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814
Warren	\$137,319	\$157,410	\$191,411	\$247,622	\$271,814

Maximum NSP Award:

\$2.5 million per neighborhood

\$5 million per municipality (*please note that the maximum neighborhoods per municipality is 3*).

\$6 million per HOME and CDBG Consortia (maximum of 2 awards)

DCA reserves the right to increase the maximum award depending upon funding availability.

NSP Definitions:

Abandoned: a home is considered abandoned when mortgage or tax proceedings have been initiated, no mortgage or tax payments have been made by the owner for at least 90 days and the property has been vacant for at least 90 days.

Affordable Rent: the tenant may not pay more than 30 percent of their household's adjusted monthly income towards rent and utilities.

Blighted: a structure is considered blighted when it displays objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare. Under New Jersey Law, a municipality may exercise its police power to take appropriate action to remediate a property if the property is "unfit for human habitation or occupancy, or use, due to dilapidation, defects increasing the hazards of fire, accidents or other calamities, lack of ventilation, light or sanitation facilities, or due to other conditions rendering such building or buildings, or part thereof, unsafe or insanitary, or dangerous or detrimental to the health or safety or otherwise inimical to the welfare of the residents of said municipality..." N.J.S.A. 40:48-2.3.

Consortia: contiguous units of general local governments approved by HUD for participation in CDBG or HOME programs.

Current market appraised value: value of foreclosed upon residential property established through an appraisal completed within 60 days prior to an offer made by a municipal grantee or for-profit/nonprofit developer.

In order to meet the federal requirement that the average purchase price of all housing units acquired equals 10% -15% below appraised value, all properties purchased with NSP funds will be priced at least 10% below current appraised value.

Foreclosed: a property has been foreclosed upon at the point that, under state or local law, the mortgage or tax foreclosure is complete.

Housing Rehabilitation Standards: the NSP will utilize the Uniform Construction Rehabilitation Subcode for the rehabilitation of existing housing units.

Land Bank: a governmental or nonprofit entity established to purchase abandoned and foreclosed housing units in a geographic area. The Land Bank must obligate the properties for a specific redevelopment activity within 10 years.

Neighborhood: a defined geographic area with clearly delineated boundaries. The NSP neighborhood may contain one or more contiguous census tracts or portions thereof in one municipality or contiguous census tracts in adjoining municipalities that share similar physical, economic and social characteristics.

Project: a property or multiple properties located within a single neighborhood with one or more eligible NSP activities.

Sale of Homes: the sales price of the housing units purchased, rehabilitated and sold for a primary residence cannot exceed the cost of acquiring and rehabilitating the property.

Deadline for Submission of Application

Applications must be submitted electronically in SAGE by end of business on February 6, 2009. Hard copy attachments must be postmarked no later than February 6, 2009.

Evaluation of Proposals

Applications will be subject to a threshold review to determine eligibility for the NSP. The initial NSP threshold criteria include:

1. Application Completeness
2. Eligible applicant
3. Eligible neighborhood
4. Eligible activity(s)
5. Eligible income distribution

Applications that do not meet the threshold requirements will be deemed ineligible for further consideration.

Eligible applications will be reviewed by staff from DCA and HMFA. Applications will receive a maximum of **100 points** scored under the following categories:

Applicant Capacity (20 Points)

Proven record of development and/or redevelopment experience with comparable activities in similar neighborhoods; good standing with DCA and HMFA.

- Has an existing community development office/entity
- Have adequate staffing levels w/ appropriate skills/qualifications
- Has relevant real estate and rehabilitation experience
- Submitted project w/ accurate estimated cost/ schedule

Readiness to Proceed (20 points)

Ability to implement program activities within 30-45 days of commitment of funds and obligate all funds through contractual agreements within 12 months of commitment.

- List of properties that meet program eligibility requirements
- Cost estimates for acquisition and rehabilitation
- Gap financing/leveraged funds secured to complete project(s)
- *Required Federal Compliance Items*
 - Citizen Participation
 - Fair Housing Resolution
 - Grant Management Plan
 - Environment Review Record
 - Lead-Based Paint

Municipal Participation (10 points)

Level of municipal involvement in resolving the issues contributing to the destabilization of the neighborhood. Identify the services and activities the municipality provides that address neighborhood needs. Describe how the NSP project will contribute to the revitalization of the neighborhood. Describe the role of the municipality in the development and implementation of the NSP project

Low income benefit (10 points)

A minimum of 25% of NSP funds must assist individuals/households with incomes at 50% or less of AMI. Identify the low income benefit as the percent of NSP funds.

- 25% (1 point) _____
- 26-50% (5 points) _____
- 51-75% (7points) _____
- 76%+ (10 points) _____

Neighborhood Plan (15 points)

Existing community plan that addresses the neighborhood needs with programs and financial assistance in place including foreclosure prevention initiatives. Explain how the proposed NSP activities will meet existing action plan goals and objectives:

- Neighborhood Revitalization Plan _____
- NPP _____
- NRTC _____
- Local Redevelopment Plan _____
- CDBG Consolidated Plan _____
- Other _____

Partnership(s) (15 points)

Active partnerships with municipality, lenders, for-profit/non-profit developers, community-based organizations.

- Identify potential developers _____
- List of lenders participating in the program _____
- List of community groups participating in program _____
- List of stake holders participating in NSP planning _____

Leveraged Funds (10 points)

A minimum match of 25% of the requested NSP funds is required. Points will be awarded for financial commitments that exceed the threshold requirement.

HMFA Financing	_____
Other State funds	_____
Municipal Funds	_____
Other	_____

Affordability Controls (up to 10 Bonus Points)

Projects that provide longer affordability controls will be given up to 10 bonus points

21- 30 years (5 bonus points)	_____
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31- 45 years (10 bonus points)	_____
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