

Using Neighborhood Stabilization Program (NSP) Funds to Serve Persons with Special Needs

What is the Neighborhood Stabilization Program (NSP)?

The Neighborhood Stabilization Program (NSP), authorized under the Housing and Economic Recovery Act of 2008 (HERA), makes available \$3.92 in emergency assistance to help states and the hardest hit cities recover from the effects of foreclosures, abandoned properties, and declining property values.

How are funds allocated?

Funds are being provided as a supplemental appropriation under HUD's Community Development Block Grant (CDBG) program. Grants are targeted to areas based on a formula that considers the number and percent of foreclosures, subprime mortgages, and mortgage defaults and delinquencies. To identify amounts earmarked for states and cities, visit HUD's website at

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/statelinks.cfm>

How can funds be used?

NSP funds must be used for activities benefiting households with incomes at or below 120 percent of area median income (AMI). At least 25 percent of funds must be used to house individuals and families at or below 50 percent of AMI.

NSP funds can be used to purchase and rehabilitate abandoned or foreclosed properties, demolish blighted structures, redevelop demolished or vacant properties, and/or offer downpayment and closing cost assistance to eligible households. Grantees can also create "land banks" to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging redevelopment of urban property.

How can NSP funds be used to serve persons with special needs?

Because most communities' special needs housing resources are tied up in renewals of existing projects, NSP offers an unparalleled opportunity to fund *new* projects. For NSP grantees, funding special needs housing projects that provide permanent supportive housing will help them meet the 25/50 targeting requirement. There are many possible models that communities could use. For example, an NSP grantee could acquire and rehabilitate a single-family or multi-family home and "dispose" the property to a nonprofit. Alternately, vacant property could be redeveloped into permanent supportive housing units for persons with special needs.

What is the process and timeline for applying for funds?

States and cities wishing to apply for their NSP allocation have until December 1, 2008 to complete and submit a substantial amendment to their Consolidated Plan/Annual Action Plan describing how they intend to use and distribute funds. Note that there is a mandatory 15-day public comment period, which must be satisfied prior to the December 1 deadline. The public comment period offers an important opportunity to advocate for the use of funds to serve persons with special needs if that use is not already included in the plan.

Once the substantial amendment has been approved, grantees then have 18 months to obligate NSP funds to projects and 4 years to expend funds. Because of the compressed timeline associated with these funds, special needs housing providers must act quickly to get their proposals before the decision-makers in their community or state. A significant amount of flexibility was written into the law regarding administration of the funds, meaning that the process will vary from community to community and state to state. As such, housing providers should contact their local or state housing department for more information on the process.

Where can I find more information?

For additional information and guidance on NSP, visit HUD's website at

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

Additionally, visit HUD's Homelessness Resource Exchange at <http://hudhre.info> for information and resources on developing and operating permanent supportive housing for persons with special needs.