



**TEXAS DEPARTMENT OF  
HOUSING & COMMUNITY AFFAIRS**  
*Building Homes. Strengthening Communities.*

# **The Texas Neighborhood Stabilization Program Implementation Workshop**



**OFFICE • OF • RURAL  
COMMUNITY • AFFAIRS**

*Where rural Texas comes first.*



# Texas NSP Staff

- ❖ Robb Stevenson, Program Manager
  - ❖ 512-463-2179
  - ❖ [Robb.stevenson@tdhca.state.tx.us](mailto:Robb.stevenson@tdhca.state.tx.us)
- ❖ Marni Holloway, Program Administrator
  - ❖ 512-475-3726
  - ❖ [Marni.holloway@tdhca.state.tx.us](mailto:Marni.holloway@tdhca.state.tx.us)
- ❖ Dewell Fears, Program Specialist
  - ❖ 512- 305-9095
  - ❖ [Dewell.fears@tdhca.state.tx.us](mailto:Dewell.fears@tdhca.state.tx.us)
- ❖ Marie Villarreal, Program Specialist
  - ❖ 512- 475-3861
  - ❖ [Marie.villarreal@tdhca.state.tx.us](mailto:Marie.villarreal@tdhca.state.tx.us)
- ❖ Tom Kincaid, Program Specialist
  - ❖ 512- 475-3897
  - ❖ [Thomas.kincaid@tdhca.state.tx.us](mailto:Thomas.kincaid@tdhca.state.tx.us)



# Agenda

- ❖ Basics
- ❖ NSP Eligible Uses
- ❖ NSP Acquisitions
- ❖ NSP Loans
- ❖ Lunch
- ❖ Davis-Bacon & Section 3
- ❖ Project Set-up & Draws
- ❖ Benchmarks
- ❖ REO Panel



# Agenda

- ❖ What we are not going to cover in detail:
  - ❖ Monitoring and Compliance
  - ❖ Project set-ups in System
  - ❖ Work write-ups
  - ❖ Construction drawdowns
  - ❖ Environmental review process
- ❖ Covered in a webinar in approximately 2 months
- ❖ Environmental has its own series of workshops



# Participation Requirement

- ❖ To receive a Texas NSP contract, a program representative must:
  - ❖ Register for an NSP Implementation Training
  - ❖ Attend the training
    - ❖ Attendance is verified by the sign-in and sign-out sheets



# Texas NSP Purpose

- ❖ Fund cities, counties and nonprofit organizations to acquire foreclosed, abandoned and/or vacant properties and redevelop them as affordable housing - in order to prevent blight and continued declining property values in Texas communities.



# **Congratulations on your Texas NSP Award!**

- ❖ Your Texas NSP Contract is subject to:
  - ❖ NSP Federal Register Notice [Docket No. FR-5255-N-01]
  - ❖ Texas NSP Notice of Funding Availability (NOFA)
    - ❖ Workshop slides, Frequently-asked questions, and forthcoming Texas NSP Guidebook



# Regulatory Environment

- ❖ Unless specifically stated otherwise, NSP funds are generally considered CDBG funds
  - ❖ Subject to 24 CFR 570
- ❖ Requirements from the HOME program have been applied to some housing activities
- ❖ State regulations





# Cross-Cutting Regulations

- ❖ “Cross-cutting” federal regulations include:
  - ❖ Environmental
  - ❖ Fair Housing
  - ❖ Affirmative Marketing
  - ❖ Eligibility Factors
  - ❖ Procurement
  - ❖ Lead-Based Paint
  - ❖ Property Standards
  - ❖ Accessibility
  - ❖ Energy Efficiency
  - ❖ OMB Circulars



# Bridge Notice

- ❖ Texas NSP Contracts are subject to
  - ❖ **Parts** of NSP Bridge Notice [Docket No. FR-5255-N-02]
    - ❖ Technical Corrections – yes
    - ❖ Revised Statutory Program Requirements – maybe: more restrictive program requirements under Texas NSP will apply



# 35% Requirement

- ❖ Requires abandoned or foreclosed properties
- ❖ Must be “permanent” housing
  - ❖ Community definition or TDHCA
- ❖ Credit only for housing low-income households
  - ❖ 50% of area median income
  - ❖ Income levels on NSP website



# 18-month Requirement

- ❖ TDHCA must obligate all Texas NSP1 funds to specific projects within 18 months of March 3, 2009
- ❖ Subrecipient Benchmarks from contract date
  - ❖ Acquisition Funds committed at 6 months
  - ❖ Balance of Activity funds committed by 9 months
  - ❖ Failure to meet benchmarks may result in re-allocation



# Key Definitions

## ❖ Foreclosed

- ❖ Completion of mortgage/tax foreclosure under state/local law
- ❖ Transfer of title complete
- ❖ Transfer in lieu of foreclosure under state/local law

## ❖ Abandoned

- ❖ Mortgage or tax foreclosure proceedings have been initiated
- ❖ No mortgage or tax payments have been made by the property owner for 90 days; and
- ❖ Property has been vacant for at least 90 days



# Key Definitions

- ❖ Vacant
  - ❖ Land and/or building are vacant
- ❖ Grantee – Subrecipient
  - ❖ TDHCA/ORCA is the Grantee and organizations or units of government that receive NSP funds from TDHCA are Subrecipients



# Key Definitions

- ❖ Residential properties
  - ❖ Units meeting the definition of 'homes' as well as vacant land that is designated for residential use (zoned)
- ❖ Blight
  - ❖ Exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare
- ❖ Activity
  - ❖ NSP Eligible Uses



# Acronyms

## ❖ CA

- ❖ Contract Administrator  
(Subrecipient)

## ❖ CDB

- ❖ TDHCA Contract Database

## ❖ LMMI

- ❖ Low to medium income
- ❖ Includes incomes up to 120%  
of AMI

## ❖ REO

- ❖ Real Estate Owned





# Neighborhood Stabilization Program 2

- ❖ TDHCA has submitted a “balance of state” application to HUD, in response to the NSP2 NOFA
  - ❖ Requested \$110,000,000
  - ❖ Activities in proportion to NSP1 applications
    - ❖ No Land Banking
  - ❖ Decision from HUD expected in December, 2009
  - ❖ Funds provided to communities through NOFA process



# **NSP Ineligible Uses**



# NSP Ineligible Activities

- ❖ If an activity is ineligible under CDBG, it likely is ineligible under NSP
  - ❖ Foreclosure prevention
  - ❖ Demolition of non-blighted properties
- ❖ Ineligible properties
  - ❖ Already acquired
  - ❖ No longer foreclosed or abandoned



# NSP Ineligible Uses

- ❖ Won't result in an eligible use within the applicable deadline
- ❖ Aren't eligible under the Texas NSP NOFA



# NSP Eligible Uses



# NSP Eligible Uses

- ❖ A – Financing Mechanisms
  - ❖ Homebuyer Assistance and Permanent Financing
- ❖ B – Purchase & Rehabilitation
- ❖ C – Land Bank
- ❖ D – Demolition
- ❖ E – Acquisition and Redevelopment



# NSP Eligible Uses

- ❖ Flexibility to move between eligible uses
- ❖ Contract Modifications may be required
- ❖ Loan terms may change
- ❖ Must meet 35% requirement with end use
- ❖ Be aware of Environmental Review requirement changes if your scope increases!

# Eligible Uses by Property Type

<b>Eligible Use</b>	<b>Foreclosed</b>	<b>Abandoned</b>	<b>Blighted</b>	<b>Demolished</b>	<b>Vacant</b>
<b>A – Financing</b>	Yes	No	Only if foreclosed	n/a	Only if foreclosed
<b>B - Purchase &amp; Rehab</b>	Yes	Yes	If foreclosed or abandoned	n/a	No
<b>C – Land Bank</b>	Yes	No	Only if foreclosed	No	No
<b>D – Demolition</b>	Only if blighted	Only if Blighted	Yes	Yes	Yes
<b>E – Redevelopment</b>	Only if Vacant	Only if Vacant	Only if Vacant	Yes	Yes
<b>Meets 35% requirement</b>	Yes	Yes	No	No	No





# **NSP Eligible Use A – Financing Mechanisms**



# Financing Mechanisms – Eligible Use A

- ❖ Financing for purchase and redevelopment of foreclosed upon homes and residential properties
  
- ❖ Provide financing of an NSP eligible activity
  - ❖ Funds to purchase a foreclosed property
  - ❖ Ownership or rental



# NSP Permanent Financing

- ❖ Household at or below 50% AMI
- ❖ 30-year mortgage at 0%
- ❖ Repayable loan
- ❖ Down payment: \$500 or sweat equity



# Permanent Financing Requirements

- ❖ Property must be Homebuyer's primary residence
- ❖ Closing cost may be rolled in
- ❖ LTV may not exceed 100%
- ❖ Debt to income ratio may not exceed 45%



# NSP Homebuyer Assistance

- ❖ Household at or below 120% AMI
- ❖ \$30,000 maximum
- ❖ 50% of down payment
- ❖ Reasonable closing costs
- ❖ Gap financing/principal reduction
- ❖ Deferred forgivable loan
  - ❖ Principal reduced annually at anniversary



# Homebuyer Assistance Restrictions

- ❖ Third Party Financing
  - ARM financing or interest rate buydown not allowed
  - Monthly mortgage payment must include escrows for taxes and insurance
  - LTV may not exceed 100%
  - No subprime loans allowed
  - Back end ratio may not exceed 45%



# NSP Permanent Financing - Example

- ❖ Facilitating the purchase of a foreclosed upon home
  - ❖ Subrecipient identifies eligible household and foreclosed house at an affordable price
  - ❖ The households income level is below 50% AMI, so the subrecipient assists with originating 100% financing of the home.
  - ❖ Household is able to purchase the home with 0% financing at an affordable monthly payment



# NSP Homebuyer Assistance Example

- ❖ Facilitating the purchase of a foreclosed upon home
  - ❖ A household at 120% AMI or below has not been able to finance the purchase of a foreclosed home, because they don't have enough money to make the down payment and pay closing costs
  - ❖ The subrecipient is able to provide up to \$30,000 in assistance, in the form of a deferred forgivable loan, so the household can close





# **NSP Eligible Use B – Purchase and Rehabilitation**



# Eligible Use B – Purchase and Rehabilitation

- ❖ Eligible Use
  - ❖ Purchase and rehabilitate homes and residential properties
  - ❖ Abandoned or foreclosed
  - ❖ Sell, rent or redevelop



# Eligible Use B – Purchase and Rehabilitation

- ❖ Eligible Activities
  - ❖ Acquisition
  - ❖ Rehabilitation
  - ❖ Disposition
  - ❖ Relocation
  - ❖ Homeownership Assistance
  - ❖ Housing counseling



# Eligible Use B - Acquisition

- ❖ Foreclosed properties must be acquired directly from the successor in interest or at auction
- ❖ Abandoned properties must meet definition at acquisition
- ❖ Interim title transfers remove eligibility for Use B



# Acquisition Requirements

- ❖ Signed contract with TDHCA
- ❖ Environmental review complete prior to purchase
- ❖ Purchase discount requirement
- ❖ Appraisal requirements



# Examples: Eligible Use B Acquisition & Rehabilitation

❖ Current Market Appraised Value	\$100,000
❖ 15% discount	<u>(\$15,000)</u>
❖ Purchase price	\$85,000
❖ Rehabilitation costs	<u>\$25,000</u>
❖ Final sales price	\$110,000



# Combining Uses A & B Homebuyer Assistance

- ❖ Final Sales Price \$110,000
  - ❖ Homebuyer Assistance (\$30,000)
    - ❖ Deferred forgivable loan
  - ❖ Third-Party Financing \$ 80,000
- 
- ❖ Use B funding is converted to Use A at close of sale
  - ❖ Property must have been foreclosed



# Combining Uses A & B Permanent Financing + HBA

❖ Foreclosed properties only

❖ Current Market Appraised Value	\$85,000
❖ 15% discount	<u>(\$12,750)</u>
❖ Purchase price=	\$72,250
❖ Rehabilitation costs +	<u>\$25,000</u>
❖ Final sales price	\$97,250





# Combining Uses A & B Permanent Financing + HBA

- ❖ Final Sales Price \$97,250
- ❖ Homebuyer Assistance (\$30,000)
  - ❖ Deferred Forgivable 10-year loan
- ❖ Permanent Financing \$67,250
  - ❖ Zero interest, 30-year loan
- ❖ Household at or below 50% AMI
- ❖ Use B financing converted to Use A at closing



# Relocation

- ❖ URA may be triggered by Acquisition, Demolition, or Rehabilitation whenever federal funds are involved
- ❖ Occupancy status of properties should be verified prior to purchase in order to avoid any URA violations or costs
- ❖ If you require a legal tenant to move temporarily for rehabilitation of a property, you must pay temporary relocation costs.
- ❖ If the move lasts 12 months or longer, it could be considered a permanent displacement.



# Relocation

- ❖ Evicting or requiring a non-purchasing tenant to move may cause them to become eligible for relocation assistance.
- ❖ Structure purchase agreements in accordance with federal, state, and local requirements
- ❖ Pre-screen homebuyers and tenants before entering into an agreement with them
- ❖ Incorporate a “move-in-notice” into all purchase agreements or leases to verify that all parties understand the terms of the Texas-NSP program



# Homebuyer Counseling

- ❖ All Texas NSP-assisted homebuyers are required to complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.
- ❖ Evidence of completion must include documentation describing the level of homebuyer counseling, including post purchase counseling.



# **NSP Eligible Use C – Land Bank**



# Land Bank – Intent

- ❖ Intended for areas that are experiencing significant downward pressure on market values due to the number of foreclosed properties
- ❖ Removes foreclosed properties from the market and holds them until they can be re-absorbed as affordable housing



# Land Bank – Eligible Use C

- ❖ Assemble, manage temporarily, and dispose of properties
- ❖ Stabilize Neighborhoods
- ❖ Encourage reuse or redevelopment
- ❖ Market & dispose of properties
- ❖ 10-year timeframe



# Land Bank – Eligible Properties

- ❖ Homes or residential properties
- ❖ Foreclosed only
  - ❖ Tax or financial foreclosure
- ❖ Located in 120% AMI or less area
- ❖ Defined service area





# Land Bank – Property Use

## ❖ Interim Use

- ❖ May be rented temporarily
- ❖ URA may apply to tenants
- ❖ Maintenance concerns

## ❖ Eligible Use

- ❖ Properties must have been transferred to an eligible use within 10 years



# Land Bank – Targeting Properties

- ❖ Real Estate-Owned (REO) Properties
  - ❖ NSP appraisal and purchase discounts requirements apply to REO properties
- ❖ FHA Properties are eligible
- ❖ Bulk Purchases
- ❖ Environmental Review is required for all acquisitions
  - ❖ Another review required for rehab/demolition and redevelopment



# Land Bank - Disposition

- ❖ Properties must be transferred to an eligible use within 10 years
  - ❖ Affordable ownership or rental
- ❖ Possible to assemble properties within land bank for redevelopment
- ❖ Properties must be sold at cost
  - ❖ Maintenance costs are not included
- ❖ Strategy for disposition prior to contract



# Land Bank – Eligible Expenditure

- ❖ Eligible Land Bank Costs
  - ❖ Acquisition
  - ❖ Maintenance\*\*\*
  - ❖ Property Management
  - ❖ Resale/Closing Costs



# Land Bank – Relocation Issues

- ❖ NSP overrides URA just offer requirement
- ❖ Avoid attempting to acquire a large number of properties in given area, may trigger involuntary acquisition
- ❖ Be careful about interim uses – URA may apply to temporary tenants



# Land Banking & Texas NSP

- ❖ Subrecipients required to provide an acceptable plan for disposition of land banked properties
  - ❖ Timeline
  - ❖ Eligible uses
  - ❖ Projected Budgets
  - ❖ Marketing
- ❖ Plan for contingency – what happens if there isn't a buyer ten years from now?



# **NSP Eligible Use D – Demolition**



# Eligible Use D – Demolition

- ❖ Eligible Use
  - ❖ Demolish Blighted Structures
- ❖ Eligible Activity
  - ❖ Clearance for blighted structures only





# Demolition

- ❖ Demolition of blighted structures
  - ❖ Not limited to abandoned/foreclosed
  - ❖ Not limited to residential
  - ❖ Need not be acquired by Subrecipient if law allows demolition
- ❖ Documentation
  - ❖ Code inspection & determination of blighted structures are under local/state law
  - ❖ Property locations should be in Priority Needs Area



# **NSP Eligible Use E – Acquisition and Redevelopment**



# Eligible Use E – Acquisition and Redevelopment

## ❖ Eligible Use

- ❖ Redevelop demolished or vacant properties for housing

## ❖ Eligible Activities

- ❖ Acquisition
- ❖ Disposition
- ❖ Housing Counseling
- ❖ Relocation
- ❖ New Housing Construction
- ❖ Direct Homeownership Assistance
- ❖ Rehabilitation
- ❖ Public Facilities



# Redevelopment

## ❖ Documentation

- ❖ Vacant properties includes both vacant land and vacant structures; however,
  - ❖ Properties must have been developed at some time
  - ❖ No greenfield development.
- ❖ Can acquire and redevelop commercial or industrial properties, but the end use must be eligible.



# Example: Eligible Use E

- ❖ Subrecipient identifies and acquires 5 vacant homes in a neighborhood that is suffering decreased land values from these vacancies
- ❖ Subrecipient demolishes remaining blighted structures on the properties
- ❖ Subrecipient builds 5 new homes on the acquired lots and sells homes to 120% AMI or below households
  - ❖ Can be combined with Financing Mechanisms if vacant land is also foreclosed; can count towards 35% requirement if foreclosed and serves 50% AMI or below
  - ❖ Caution: Must repay original loan from Department to acquire and redevelop within 3 years



## **Example: What use is it?**

- ❖ Subrecipient acquires a foreclosed property, demolishes the structure and builds a home that is the basically same and within 20% of the square footage of the demolished structure.
- ❖ Subrecipient acquires a foreclosed property, demolishes the structure which is a single family home and replaces it with a duplex.
- ❖ Subrecipient acquires a commercial property, demolishes the structure and builds a 10 unit multifamily complex.
- ❖ Questions on use: see CPD Notice 07-08 and CDBG Guide to National Objectives & Eligible Activities for Entitlement Communities (Available on the HUD website).



# Environmental

# STOP!!

Do not move forward with or commit NSP funds to a project for any of the uses if you have not completed **all** of your environmental review responsibilities.



# **NSP Acquisition and Disposition**





# NSP Acquisitions

- ❖ Eligible properties
  - ❖ Single family homes
  - ❖ Condominium units
  - ❖ Multi-family properties
  - ❖ Mobile homes
    - ❖ If permanently attached real property
  - ❖ Residential property
    - ❖ Zoning or similar designation/restriction



# NSP Acquisitions

- ❖ Foreclosed/abandoned/vacant requirement dependent on end use
- ❖ FHA 203(b) limit or 95% of Median Value
  - ❖ Includes acquisition and rehabilitation costs
  - ❖ Prior to Economic Stimulus increases
- ❖ For multi-family properties, the 221(d)3 limit will apply



# NSP Acquisitions

- ❖ Texas NSP will provide documents & instructions to Title
- ❖ Funding after approval of HUD-1
  - ❖ Lead time requirements



# NSP Acquisitions

- ❖ URA requirements for appraisal and notification apply to NSP-funded property purchases
- ❖ URA requirements for just compensation do not apply to NSP properties
- ❖ Involuntary acquisitions likely impossible with NSP
- ❖ Government subrecipients may not use NSP to purchase tax-foreclosed property from themselves



# NSP Acquisitions

- ❖ Texas NSP subrecipients are required to purchase property at a discount from appraised market value
  - ❖ Minimum 5% per property discount
  - ❖ 15% total portfolio minimum discount
- ❖ Discount is proven with an appraisal
  - ❖ Discount from Seller asking price not sufficient
- ❖ Changes to discount requirement in the Bridge Notice do not apply to Texas NSP at this time



# NSP Acquisitions

- ❖ Purchase contracts may be subject to:
  - ❖ Environmental Review & Fund Release
  - ❖ Appraised Value
- ❖ Suggest that contracts be subject to:
  - ❖ Inspection
  - ❖ Repair estimate
- ❖ Consider purchase price and rehab costs in relation to 203(b) and sales price



# Appraisal Requirements

- ❖ Appraisal must have been completed within 60 days of purchase
  - ❖ Initial offer may be subject to appraisal
- ❖ Acceptable to use other's appraisal, if it meets all requirements
- ❖ Individual appraisals only – even if bulk purchase



# Appraisal Requirements

- ❖ Must meet URA definition of appraisal at 49 CFR 24.2(a)(3) and:
  - ❖ Adequate physical description of property including encumbrances, title info, zoning, highest & best use, and 5-year sales history
  - ❖ All relevant & reliable approaches to value
  - ❖ Description of comps
  - ❖ Statement of the value of the real property
  - ❖ Effective date, date of appraisal, signature & certification





# Appraisal Requirements

- ❖ Disregard any change in value created by proposed project
- ❖ Scope of Work
  - ❖ HUD Handbook 1378- Appendix 19
- ❖ Criteria for minimum qualifications – licensure
- ❖ Review appraisal **not** required



# Appraisal Requirements

- ❖ If property reliably valued at less than \$25K an appraisal may not be required
  - ❖ Experienced, knowledgeable person may estimate value of property using available data
  - ❖ Tax valuation may not reflect market
- ❖ If a property has been abandoned, an appraisal is not required; however, a defensible estimate must be documented (same as below \$25K property)



# Protecting Tenants at Foreclosure Act

- ❖ Part of the Helping Families Save Their Homes Act of 2009
  - ❖ Applies to all acquisitions by successor in interest after 2/17/09
- ❖ Tenants residing in foreclosed property must be given 90-days to vacate
  - ❖ Requirement imposed on immediate successor in interest



# Protecting Tenants at Foreclosure Act

- ❖ Tenant protections do not extend to mortgagors who have lost their interest in foreclosure
- ❖ If successor will not occupy the property as their primary residence, their interest is subject to any remaining lease term



# Protecting Tenants at Foreclosure Act

- ❖ Requirement for due diligence to assure that tenant notifications have been properly made:
  - ❖ Certification from seller
  - ❖ Notice to “occupant” sent to address
- ❖ If lender did not follow rule, the NSP subrecipient assumes the tenant protection obligation
  - ❖ May trigger relocation assistance under URA



# NSP Resales

- ❖ 120% AMI or less
  - ❖ 35% of units to households at or below 50%
- ❖ Sold within 12 months
- ❖ Sold at cost
  - ❖ Acquisition and Rehab/Construction
  - ❖ Activity delivery costs included



# Homebuyer Counseling

- ❖ Households purchasing an NSP-assisted property must complete 8-hours of counseling with a HUD-approved Homebuyer Counseling Agency
  - ❖ Documentation requirements
- ❖ Homebuyer counseling costs are part of activity delivery
- ❖ Costs for potential buyers that don't complete may be covered



# Homebuyer Counseling

- ❖ List of HUD-Approved Homebuyer Counseling Agencies on website
- ❖ To become a HUD-Approved Counseling Agency, applicants must demonstrate:
  - ❖ Nonprofit Status
  - ❖ At least one year experience
  - ❖ One year in geographic area
  - ❖ Sufficient counseling resources
  - ❖ Application/process on HUD website





# NSP - Rentals

- ❖ Rental use will trigger loan payment terms based on Eligible Use category and household income
- ❖ Multi-family properties
  - ❖ May carry 30-year affordability period, regardless of loan term
  - ❖ 221(d)3 limits apply



# NSP Affordability Periods

<b>Activity/Investment</b>	<b>Affordability Period</b>
Acquisition or rehab of existing unit: Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000 or rehab with financing	15 years
New construction, or acquisition of new construction	20 years



# NSP Loans



# NSP Loans - Subrecipients

- ❖ Loan terms dependent on Eligible Use category and end use of property
- ❖ Loans to subrecipients under Eligible Use “B” due in 12 months
  - ❖ Unless rented to household at or below 50% AMI, then amortized at zero-interest over 30 years
  - ❖ No payment due until close of resale, or tenant occupancy



# NSP Loans - Subrecipients

- ❖ Loans for Eligible Use “C” – Land Bank will have a ten-year term
  - ❖ Zero payment and interest until transferred to eligible end use
  - ❖ Program income generated by interim use to be paid to TDHCA
- ❖ Eligible Use “D” – Demolition funds are considered a grant



# NSP Loans - Subrecipients

- ❖ Loans for Eligible Use “E” – New construction are due in 36 months.
- ❖ Be careful if switching between uses, loan terms may change



# NSP Loans - Homebuyers

- ❖ \$500 minimum earnest money/downpayment
- ❖ Sweat-equity acceptable
  - ❖ Program certification required
- ❖ 100% loan to value maximum
- ❖ Primary residence requirement
- ❖ Demonstration of need requirement



# NSP Loans - Homebuyers

- ❖ Income limits
  - ❖ All households at or below 120% of AMI
  - ❖ 35% set-aside for households at or below 50% AMI
  - ❖ Part 5 Annual Income
  
- ❖ Mortgage requirements
  - ❖ First lien must be 30-year fixed
  - ❖ Interest rate limits will apply





# NSP Loans – Homebuyers

## ❖ Asset Limits

- ❖ Equal to 50% AMI amount for household size
- ❖ Exceptions
- ❖ Separate from Income Eligibility Determination

## ❖ Example:

- ❖ 50% AMI for household of 4 in Amarillo is \$26,950
- ❖ For any household of 4 in Amarillo purchasing an NSP property, they may not have more than \$26,950 in liquid assets



# NSP Loans - Homebuyer

- ❖ All NSP loans to eligible households will require a payment shock calculation:
  - ❖ Payment Shock Factor=  $(\text{Proposed PITI} / \text{Current Housing Payment}) - 1$
- ❖ If resulting factor is more than one, documentation that proves ability to make increased payment required



# NSP Loans - Homebuyers

## ❖ Payment Shock Calculation example:

Proposed PITI Payment \$1,000

Current housing Payment \$500

$$(1,000/500) - 1 = 1$$

A result of “1” indicates that the housing payment has been doubled. Results higher than “1” must be justified.



# **NSP Loans – Homebuyer Assistance**

- ❖ Maximum \$30,000
- ❖ Deferred, forgivable loan
- ❖ Term based on amount
  - ❖ Less than \$15K – 5 years
  - ❖ \$15K to \$30K – 10 years
- ❖ Due upon sale/refinancing/rental
- ❖ Up to 50% of lender-required downpayment



# **NSP Loans – Mortgage Financing**

- ❖ Available to households at or below 50% AMI
- ❖ 30-year, zero-interest, fully amortized
- ❖ May be combined with Homebuyer Assistance
- ❖ Non-traditional Credit qualification available
- ❖ 45% back-end, no front-end ratio



# **NSP & Davis-Bacon**

Including Section 3



# Davis Bacon Waivers?

- ❖ NO WAIVERS
- ❖ NSP program will operate under the same Davis-Bacon rules and thresholds as their regular CDBG program counterparts



# Guidance for NSP1

- ❖ For Davis-Bacon purposes, NSP is treated in the same fashion as CDBG.
- ❖ The labor standards clause is found at Section 110 of the Housing and Community Development Act of 1974.





# Rehab of Residential Property

- ❖ Davis-Bacon requirements apply to the rehabilitation of residential property only if the property contains 8 or more units.
- ❖ The threshold applies to the number of units in the **property**, not the number of units in a building.
  - ❖ The threshold applies regardless of the number of units being rehabbed.



# Determine applicability of labor standards

- ❖ LOOK at :
- ❖ Type of construction
  - ❖ Public or private property?
  - ❖ Construction involves demolition only?
  - ❖ Construction will be done by city crew or public utility company?
- ❖ Construction cost
  - ❖ Construction cost is less than \$2000?

# DAVIS-BACON COVERAGE

<b>Financed Activity</b>	<b>Activity Covered?</b>	<b>Related Private Construction Covered?</b>
Land Acquisition	No	No
Demolition (no construction on-site contemplated)	No	No
Demolition (to be followed by on-site construction)	Yes	<u>No</u> , if demolition done by grantee or its contractor before transfer of land to developer. <u>Yes</u> , if demolition contracted for by same entity doing private construction and will be carried out while contracting entity controls site.

# DAVIS-BACON COVERAGE

<b>Financed Activity</b>	<b>Activity Covered?</b>	<b>Related Private Construction Covered?</b>
Off-site improvements (street work, storm sewers, utility construction, etc.)	Yes	No
On-site improvements (excavation/grading, storm drainage, utility of sewer work, paving/walks/striping, site lighting, landscaping, etc.)	Yes	<u>No</u> , if done by grantee or its contractor before transfer of land to developer. <u>Yes</u> , if improvements are designed and intended to serve building on the site; will be contracted for by same entity having building constructed; and will be carried out while contracting entity controls the site.
Contracts for public utility services including electric light and power, water, steam, and gas	No	No

# DAVIS-BACON COVERAGE

<b>Financed Activity</b>	<b>Activity Covered?</b>	<b>Related Private Construction Covered?</b>
Cleaning during construction	Yes	Yes
Cleaning after construction to prepare for occupancy (separate from construction contract)	No	No
Materials purchase	No	No
Equipment, machinery and fixtures purchase (as opposed to installation)	No	No
Equipment, machinery, and fixtures installation (as opposed to, or in addition to, purchase)	<u>Yes</u> , if more than incidental (14% or over) amount of construction work involved.	<u>Yes</u> , if more than an incidental amount of construction work involved in the installation.

# DAVIS-BACON COVERAGE CHART

<b>Financed Activity</b>	<b>Activity Covered?</b>	<b>Related Private Construction Covered?</b>
Legal fees/accounting fees	No	No
Architectural and engineering fees	No	No
Construction management	No	No
Tenant allowances for nonconstruction expenses (furniture, business licenses, etc.)	No	No
Rehabilitation of residential property designed for fewer than eight (8) families	No	No



# Applicable Laws for Labor Standards Compliance

- ❖ Davis-Bacon and Related Acts
- ❖ Contract Work Hours & Safety Standards Act (CWSSHA)
- ❖ Copeland Act
- ❖ Fair Labor Standards Act (FLSA)
- ❖ Housing & Community Development Act
- ❖ HUD Handbook



# Davis-Bacon Recordkeeping

- ❖ If Davis-Bacon applies to your project, the following documentation will be required :
  - ❖ LSO appointment form
  - ❖ Wage Decision Request
  - ❖ Contractor Eligibility Verification
  - ❖ Additional Rate Request
  - ❖ Start of Construction Notice





# Section 3 Requirements

- ❖ Section 3 will apply to all NSP-assisted properties
- ❖ Subrecipient responsibilities:
  - ❖ Meet minimum numeric goals
    - ❖ 30% of new hires are Section 3 residents
    - ❖ 10% of construction contracts are Section 3 businesses
  - ❖ If unable to meet goals, clearly demonstrate why it was not possible



# Section 3 Requirements

- ❖ For contracts less than \$100,000 for construction or rehabilitation – Section 3 compliance is shared between contractor and subrecipient
- ❖ For contracts exceeding \$100,000 – Section 3 compliance remains with subrecipient
- ❖ Quarterly and Annual reports
  - ❖ Included with NSP reporting to HUD



# Project Set-up & Draws



## What are “Draw Requests” ?

- ❖ **“Draw Request”** refers to the process for requesting the transfer of funds to the CA in order to pay for eligible costs incurred for a specific address or for the NSP Contract



# Administrative Draws

- ❖ Indirect costs not associated with a specific Project but are directly attributable to the administration of the NSP Contract
- ❖ Ensure the environmental clearance for **exempt** administrative activities has been received prior to submission of first Admin Draw Request
- ❖ Enter request online at the contract level with support documentation as appropriate



# Administrative Draws

- ❖ Administrative Draw Requests will be limited to **10%** of the total administrative funds available on the Contract until project activities are set up or start of construction/demolition
- ❖ For subsequent Administrative Draw Requests, the cumulative percentage of administrative draws disbursed may not exceed the percentage of Project funds drawn on the Contract



# First Administrative Draw

- ❖ Travel Reimbursement
- ❖ Environmental Review costs
- ❖ Procurement Requirements



# Project Cost Draws

- ❖ Directly associated with specific Project
  - ❖ Hard costs – “sticks and bricks”
  - ❖ Soft costs – activity delivery
    - ❖ Soft costs listed on Page 3 of Texas NSP NOFA
  
- ❖ Enter request online at the Project level





# Interim Draw Requests

- ❖ Submit as costs are incurred and construction is completed
- ❖ Submit with applicable Support Documentation
- ❖ TDHCA will withhold 10% of Project hard costs for Retainage



# NSP Benchmarks



# NSP Benchmarks

- ❖ All Texas NSP1 funds must be used within timelines
- ❖ Acquisition Funds committed at 6 months
- ❖ Balance of Activity funds committed by 9 months
- ❖ Meeting benchmarks will be a contractual requirement
- ❖ Failure to meet benchmarks may result in re-allocation



# NSP Milestones

- ❖ All milestones from contract date
  - ❖ 3 Months
    - ❖ General Environmental Clearance
  - ❖ 6 Months
    - ❖ Acquisition 100% Obligated
    - ❖ Site-specific Environmental Clearance
    - ❖ Addresses set-up on CDB system



# NSP Milestones

- ❖ All milestones from contract start date
  - ❖ 9 months
    - ❖ All contract funds 100% obligated
  - ❖ 12 months
    - ❖ All Rehab/Reconstruction initiated



# NSP Milestones

- ❖ All milestones from contract date
  - ❖ 24 months
    - ❖ Rehab/reconstruction/new construction complete
    - ❖ All properties in eligible use (all repayment to TDHCA initiated)
  
- ❖ Texas NSP milestones will be used to determine contract performance



# NSP Thresholds

- ❖ Thresholds differ from milestones
  - ❖ Contract expenditure vs. activity completion
- ❖ 12-month threshold
  - ❖ Contract 30% expended
- ❖ 18-month threshold
  - ❖ Contract 70% expended
- ❖ 24-month threshold
  - ❖ Contract 100% expended



# NSP Benchmarks

- ❖ Ways to make sure you meet the benchmarks
  - ❖ Start your broad environmental reviews now
  - ❖ Start homebuyer education
  - ❖ Identify property sources
  - ❖ Inspect properties prior to purchase – reduce surprises





# Reporting Requirements

- ❖ Required monthly reports on obligations and expenditures
  - ❖ Project Name
  - ❖ Activity
  - ❖ Location
  - ❖ Funds budgeted/expended
  - ❖ # housing units/properties
  - ❖ Beneficiary data
- ❖ Quarterly reporting after all funds obligated



# NSP Benchmarks

- ❖ Technical Assistance
  - ❖ NSP Staff will be visiting subrecipients prior to obligation deadlines
  - ❖ Website updates and email
  - ❖ Contracts will be assigned to specific staff members



# NSP Benchmarks

- ❖ Monitoring
  - ❖ Subrecipient contracts will be continually monitored for compliance
- ❖ Transparency requirements
  - ❖ Reporting
- ❖ Office of the Inspector General (OIG)
  - ❖ NSP is a high-risk program
  - ❖ TDHCA plans on an OIG audit



# Texas NSP

❖ Questions?

❖ Thank you!



# Resources

- ❖ Texas NSP Website
  - ❖ <http://www.tdhca.state.tx.us/nsp/index.htm>
- ❖ HUD NSP Website
  - ❖ <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>
- ❖ HUD NSP Policy Guidance
  - ❖ <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/policyguidance/index.cfm>



# Resources

- ❖ HUD Handbook 1378 – Uniform Relocation Act
  - ❖ <http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/handbook1378.cfm>
- ❖ Comptroller of the Currency – Neighborhood Stabilization resources
  - ❖ <http://www.occ.treas.gov/cdd/neighborstabilization.htm>
- ❖ Section 3 applicability to NSP
  - ❖ <http://www.hud.gov/offices/fheo/section3/HUD-NSP-sec3-Guidance.doc>



# Resources

- ❖ HUD OIG Audit Guide
  - ❖ <http://www.hud.gov/offices/oig/reports/auditguide/>