

# Neighborhood Stabilization Program (NSP1, 2 and 3) in Texas



## Federal Reserve Bank of Dallas

December 2011

Elizabeth Sobel Blum, *Community Development*

Federal Reserve Bank of Dallas

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### NSP1

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### NSP2

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### NSP3

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### NSP Activities in Texas

**Harris County**

**City of Houston**

**City of San Antonio**

**City of Dallas**

**City of Fort Worth**

**Dallas County**

**Tarrant County**

**City of El Paso**

**Hidalgo County**

**Fort Bend County**

**City of Grand Prairie**

**City of Mesquite**

**City of Arlington**

**City of Garland**

**State of Texas—TDHCA**

**Habitat for Humanity  
International**

**El Paso Collaborative  
for Community  
and Economic  
Development**

**Chicanos Por La  
Causa**

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### Informational Resources

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### Snapshots of NSP Activities

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### Map of Cities and Counties that Received NSP Funds

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Over the past several years, the U.S. government has granted billions of dollars to stabilize neighborhoods through the Department of Housing and Urban Development's (HUD's) Neighborhood Stabilization Program (NSP). The Housing and Economic Recovery Act of 2008 established this program; the American Recovery and Reinvestment Act (ARRA) of 2009 authorized the second round of NSP funding, "NSP2." And, in 2010 the Dodd–Frank Wall Street Reform and Consumer Protection Act provided the third round of NSP funding, "NSP3."

This report gives an overview of how NSP grantees in Texas used or are using these funds, the impact that their programs have made and their insights on the program.

## NSP1

The Housing and Economic Recovery Act of 2008 established the Neighborhood Stabilization Program. Its purpose was to curtail the decline of communities severely affected by abandoned and foreclosed homes. Funds could be used to demolish blighted structures; purchase and rehabilitate abandoned or foreclosed homes and rent or sell them to lower-income households; redevelop demolished or vacant properties and rent or sell them to lower-income households; provide lower-income households with down payment and closing costs assistance; create a land bank of foreclosed residential properties; and do other housing-related activities that stabilize neighborhoods.

All NSP-funded activities must benefit households whose income is 120 percent or less than the area median income (AMI), and at least one quarter of the funds must be used to benefit households whose incomes are 50 percent or less than the AMI.

HUD disbursed \$3.92 billion of NSP funds to 55 states and territories and 254 local governments. By the time all of the funds were disbursed, every state and Puerto Rico received at least \$19.6 million.

In Texas, there were two ways for entities to receive NSP funding: from HUD and from the Texas Department of Housing and Community Affairs (TDHCA). NSP1 funded 15 recipients in Texas (*Table 1*). \$76 million went to cities and counties, and \$102 million went to TDHCA. Grantees had 18 months to obligate their funds (after HUD signed their agreements) and four years to spend them.



Table 1. **NSP1 Funding in Texas**

State of Texas—TDHCA	\$101,996,848
Harris County	\$14,898,027
City of Houston	\$13,542,193
City of San Antonio	\$8,635,899
City of Dallas	\$7,932,555
City of Fort Worth	\$6,307,433
Dallas County	\$4,405,482
Tarrant County	\$3,293,388
City of El Paso	\$3,032,465
Hidalgo County	\$2,867,057
Fort Bend County	\$2,796,177
City of Grand Prairie	\$2,267,290
City of Mesquite	\$2,083,933
City of Arlington	\$2,044,254
City of Garland	\$2,040,196

## NSP2

The American Recovery and Reinvestment Act of 2009 authorized the second round of NSP funding, commonly known as NSP2. In this round, states, local governments, nonprofit organizations and consortia of nonprofits were eligible for application. The total pool of funds available was \$1.93 billion—less than half the funds disbursed in round one.

The ARRA also authorized HUD to create NSP-Technical Assistance, which is a \$50 million grant program. Awardees received funding to provide technical assistance to HUD’s community development programs’ grantees and subrecipients.

NSP2 funded 56 recipients, including 33 regional consortiums and four national consortiums. Three NSP2 recipients are running programs in Texas (*Table 2*), and they invested \$49,177,259 in the state.

Table 2. **NSP2 Funding in Texas**

Habitat for Humanity International	\$28,954,259 in Texas (\$137,620,088 nationwide)
El Paso Collaborative for Community and Economic Development	\$10,191,000
Chicanos Por La Causa	\$10,032,000 in Texas (\$137,107,133 nationwide)

## NSP3

In 2010, the Dodd–Frank Wall Street Reform and Consumer Protection Act provided \$1 billion in NSP3 funds to 270 states and local governments. Every state received at least \$5 million, and local governments received at least \$1 million.

Six of the NSP3 grantees are in Texas. Approximately \$11 million went to Texas cities and counties, and about \$7 million went to TDHCA. See *Table 3*. Grantees must spend half of their funds within two years (after HUD signed their agreements) and all of their funds within three years.



Table 3. **NSP3 Funding in Texas**

State of Texas—TDHCA	\$7,284,978
City of Houston	\$3,389,035
City of Dallas	\$2,356,962
Harris County	\$1,925,917
Hidalgo County	\$1,716,924
Dallas County	\$1,364,426

## NSP Activities in Texas

An overview of each grantee's Texas NSP activities follows.<sup>1</sup> A [map](#), on page 32, of the cities and counties that received NSP funding shows that funds went to the most heavily populated areas of the state.

Following each grantee's overview of NSP activities is a Q&A with them. In fourth quarter 2011, the Dallas Fed asked for their insights on their Neighborhood Stabilization Programs—their successes, challenges, impact, lessons learned and related information. Grantees' responses varied widely because their organizational capacity, geographic reach, local demographics, housing markets and other factors are diverse. Nonetheless, many pointed to similar successes, such as helping families who otherwise would not be homeowners become homeowners, creating interest in neighborhoods that they invested in or are investing in, and generating program income to continue their stabilization or revitalization work once NSP funding ends. Some grantees also pointed out that neighbors of NSP homes appreciated their work—not only for helping stabilize their neighborhood's property values but for helping improve the neighborhood's perceived quality of life, too. Many grantees emphasized that developing expertise on their respective markets is key to success. Some also noted that clustering their investments was more effective than investing in widely dispersed properties.

When asked about their NSP challenges, a common response was the difficulty meeting the 18-month deadline and obtaining needed information from HUD in a timely manner. Some grantees said that it was hard to compete with investors for the same properties and that it was a challenge to find qualified buyers—they had to be low-income, meet credit requirements and afford to be homeowners in the long term.

The perceived and real impact of NSP in the long term is to be determined. Yet what is striking about the grantees' work is the creativity, flexibility and dexterity used to stabilize and revitalize neighborhoods. For example, some made their NSP activities serve as a catalyst for neighbors to beautify their own homes. Another sped up the process of buying and selling NSP properties by getting commissioners court approval for their director to authorize these transactions. Some focused solely on homeownership opportunities, while others created rental opportunities. Many created partnerships to implement their programs.

Altogether, the Q&As in the following section show the myriad of strategies that grantees used to help stabilize neighborhoods in Texas.

<sup>1</sup> This information is based on interviews with grantees and/or information from the grantees' performance reports published on the Department of Housing and Urban Development's online Neighborhood Stabilization Program Resource Exchange. Note that the percent of funds may not add to 100 percent due to rounding.



**Harris County**

**NSP1**

**TOTAL FUNDS: \$14,898,027**

**ACTIVITIES**

- 65 percent of funds:** [Foreclosed Housing Acquisition, Repair and Resale](#): Purchased 97 single-family homes, of which 85 have been sold to homebuyers that have 50 percent to 120 percent of AMI. The county sustains its NSP by recycling program income received from the resale of properties back into the same type of activities.
- 25 percent of funds:** [Multifamily Project Acquisition, Development and Rental](#): The county worked with the Harris County Housing Authority to acquire foreclosed land and construct a senior rental multifamily project with 88 units: 35 one-bedroom units and 53 two-bedroom units. The project will be for senior residents at up to 80 percent of AMI. A portion of the units in the project will be set aside for households that are up to 50 percent of AMI.
- 10 percent of funds:** [Program Administration](#).

**NSP3**

**TOTAL FUNDS: \$1,925,917**

**ACTIVITIES**

- 65 percent of funds:** [Foreclosed Housing Acquisition, Repair and Resale](#): Continue the acquisition, repair and resale program that it is doing under NSP1.
- 25 percent of funds:** [Foreclosed Housing](#): Set aside 25 percent of the grant funds to be used for households at or below 50 percent of AMI.
- 10 percent of funds:** [Program Administration](#).

**Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** What have been your biggest successes?

**Harris County:** Our biggest success has been helping families become homeowners. We believe we've done a really good job. There have been instances where we have made homes available on our website on a Friday afternoon, and we would receive one or two contracts and a few backup contracts in a fairly short timeframe.

**Dallas Fed:** What have been your biggest challenges?

**Harris County:** Our challenges are different now than when we first started. Since lending guidelines have changed, it is taking longer for potential homebuyers to obtain loan approval. What used to take 30 to 45 days may now take two to three months. On our end, we've gotten commissioners court approval to allow our director to authorize the buying and selling of NSP properties instead of having to go through the commissioners court for each transaction. This has streamlined the process.

**Dallas Fed:** Have you used other funding sources beyond NSP?

**Harris County:** On our multifamily project for NSP1 we used a combination of funding, which included Community Development Block Grant – Katrina/Rita Disaster Relief Funds, HOME Program Funds and Harris County Housing Authority Funds. The original project budget was increased to allow for provisions that make the units as green friendly as possible. The development is Leadership in Energy and Environmental Design (LEED) certified at the platinum level.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**Harris County:** Yes. We buy the majority of our properties from lenders with real-estate owned properties such as Wells Fargo, Bank of America, Chase and Compass Bank, as well as Freddie Mac and Fannie Mae. We take advantage of their first-look process and also can view available properties through their websites.

**Dallas Fed:** What are your biggest successes and challenges in working with them?



**Harris County:** We are competing with traditional resources to sell properties. In response, we created our own website to market properties to the public that operates similarly to a multiple listing service. This website allows potential homebuyers to access all the information they need about a property of interest, what they need to do to qualify and how to submit an offer. Once properties are acquired and rehabilitated, they are posted on our website. We believe we have done a good job in alerting the community, agents and lenders about our program and directing traffic to the website. Additionally, our community outreach team participates in community events to talk about our department's programs. All of our outreach activities help drive demand for the program.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your county?

**Harris County:** Yes. We have resold 88 percent of our homes to homebuyers. Usually vacant properties bring down property values. Our program has helped decrease the number of vacant properties in neighborhoods, and we believe it has also helped to slow declining property values.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**Harris County:** At this time, we have not had any difficulties with administering the program.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**Harris County:** Unless HUD says that we have to do otherwise, we will continue to use the program income that we've generated from NSP to buy, repair and sell single-family housing. We didn't expect NSP to be so popular, so we may look for other funding sources to help us continue our NSP-type work.

**Dallas Fed:** What lessons learned would you like to share?

**Harris County:** Take your time to set up the program infrastructure early on, and be fluid so that you can change it as the market demands.

**Websites:** [Harris County Home Ownership Made Easy](#) and [Neighborhood Stabilization Program Resource Exchange](#)

## City of Houston

## NSP1

**TOTAL FUNDS: \$13,542,193**

### ACTIVITIES

**65 percent of funds:** [Rehabilitation of Apartments](#): Partnered with the Cesar Chavez Foundation, previously known as the National Farm Workers Service Center, to acquire and rehabilitate 158 multifamily units. At least 40 will be for individuals with less than 50 percent of AMI. Rehabilitation was planned to start in December 2011.

**25 percent of funds:** [Foreclosed Single-Family Housing Acquisition, Repair and Resale](#): The city obligated these NSP funds to four nonprofit organizations to acquire, rehabilitate or redevelop and then sell 40 single-family units. At least 10 units will be for households with less than 50 percent of AMI. Seven of the houses have been sold, seven of them are on the market, five are being rehabilitated and one is waiting to be rehabilitated. Five empty lots are being acquired, and three of the city's subrecipients have yet to identify the 15 remaining properties.

**10 percent of funds:** [Program Administration](#).



### NSP3

**TOTAL FUNDS: \$3,389,035**

#### ACTIVITIES

- 50 percent of funds:** **Single-Family Acquisition and Rehabilitation:** Finance nonprofit organizations' attempts to buy and rehabilitate or develop 20 eligible units; at least five will be for households under 50 percent of AMI. These nonprofit organizations would serve as developers.
- 30 percent of funds:** **Multifamily Acquisition and Rehabilitation:** Finance at least one and possibly two multifamily projects to be rehabilitated or built by developers; at least five units will be for households under 50 percent of AMI.
- 10 percent of funds:** **Demolition:** Demolish single-family housing units. The number of units is to be determined.
- 10 percent of funds:** **Program Administration.**

#### Q&A: INSIGHTS FROM THE GRANTEE

- Dallas Fed:** What have been your biggest successes?
- City of Houston:**
1. Working with nonprofit partners to acquire and rehabilitate properties in the Fifth Ward neighborhood.
  2. The single-family homes are close together, so hopefully our "cluster" approach will help stabilize the neighborhood.
  3. Providing homeownership opportunities to over 30 families.
- Dallas Fed:** What have been your biggest challenges?
- City of Houston:**
1. Trying to figure out what we can and cannot do with NSP funding and how the process is supposed to work.
  2. With the large square mileage and population size of Houston, the size of the NSP grants is relatively small, so it is a challenge to make an impact with such limited funding.
  3. It is very difficult for some clients to get loans when they don't have a credit score of at least 620; banks have not been flexible about credit scores.
  4. It is difficult to determine how much to subsidize housing units given the challenges of appraising the market values of single-family homes in a challenging economic environment. There is a lack of data on the market value of housing units and how they will change over time.
- Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?
- City of Houston:** No. Our partners may be partnering with them.
- Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?
- City of Houston:** That is to be determined. We will probably know a couple of years from now.
- Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?
- City of Houston:**
1. We received too little information too late.
  2. The obligation deadline was too short for dealing with distressed real estate, which is complicated to do in 18 months.
- Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?
- City of Houston:** We are waiting to see how NSP1 progresses before deciding on our next steps. Also, we need more clarity on how much money we will get from HUD and other sources. News articles are suggesting that funding will be tighter. Our department is beginning to collect information on the impact of work we have done and what is going on in our neighborhoods to help us decide where to invest next.





**Dallas Fed:** What lessons learned would you like to share?

**City of Houston:** 1. It is important to target dollars in one area.  
2. There are so many communities that are in need and it is hard to decide which ones to invest in. Every time we say that we may invest in one neighborhood, we have fewer resources to invest in other neighborhoods. Ideally, the city and other partners would work together to gather and analyze appropriate data that would help us decide where our funds would best be spent. This data would help us shape an appropriate strategy for investing resources in our neighborhoods.

**Websites:** [City of Houston Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

**City of San Antonio** **NSP1**

**TOTAL FUNDS: \$8,635,899**

**ACTIVITIES**

**31 percent of funds:** **Single-Family Acquisition and Rehabilitation:** Through a partnership agreement with local area nonprofits, helped to acquire and rehabilitate 25 single-family homes. Fifteen homes have been sold, one is under contract, one is under rehabilitation and eight are currently listed for sale. Of the 15 sold, two were sold to households below 50 percent of AMI, six were sold to households between 51 percent and 80 percent of AMI, and seven were sold to households between 81 percent and 120 percent of AMI. The city plans to conduct another round of NSP acquisition/rehabilitation projects from the program income generated from the sale of NSP1 properties.

**29 percent of funds:** **Multifamily Acquisition and Rehabilitation:** Funded the acquisition and rehabilitation of a foreclosed multifamily 44-unit property named Gillette Square Apartments. Of these 44 units, 41 of them were rented to households below 50 percent of AMI, and the remaining three units were rented to households between 51 percent and 80 percent of AMI.

**29 percent of funds:** **Multifamily Redevelopment:** This activity has two projects: the Cevallos Lofts redevelopment project and the Sutton Oaks project. Cevallos Lofts is still in construction but will house 252 households, 63 of whom will be less than 50 percent of AMI. The Sutton Oaks project is the redevelopment of the Sutton Homes Public Housing facility. It is fully leased to 194 households, 29 of whom have incomes less than 50 percent of AMI and 157 of whom have incomes between 51 percent and 60 percent of AMI. The remaining eight units are rented at the market rate to households with incomes above 120 percent of AMI.

**10 percent of funds:** **Program Administration.**

**2 percent of funds:** **Construction Loan Guarantee Program:** In response to real estate market conditions, created a construction loan guarantee program of \$132,950 to help small business general contractors obtain interim financing for three homes. The construction loan guarantee program offers a 50 percent guarantee for builders; the other 50 percent the builders would get from a bank. The city placed NSP funds into an escrow account so that the bank would be comfortable lending in case the builder defaults on its loan.

**.1 percent of funds:** **Homebuyer Assistance Program:** Provided down payment assistance plus eligible closing costs to five households. The assistance and closing costs subsidy serves as a 0 percent perpetual lien. The perpetual lien ensures that the city will receive its investment back when the homeowners sell their home as either Neighborhood Stabilization Program income or Community Development Block Grant (CDBG) program income after July 2013.

**Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** What have been your biggest successes?

**City of San Antonio:** 1. So far we have generated almost \$1.2 million in program income, which we will reinvest in other eligible NSP activities.



2. We designed our single-family acquisition and rehabilitation program from scratch, and it has helped our internal and external partners build capacity to do such work.

3. Working with our partners. They are Neighborhood Housing Services (NHS) of San Antonio, San Antonio Alternative Housing Corporation (on our Gillette and single-family acquisition and rehabilitation activities), George Gervin Youth Center, Associated Community Development Enterprises, the San Antonio Housing Authority (on the Sutton Oaks project), and the NRP Group (on the Cevallos project). The Department of Planning and Community Development has helped with our homebuying assistance program and construction loan guarantee program.

**Dallas Fed:** What have been your biggest challenges?

**City of San Antonio:** 1. HUD's initial program requirements were very unfocused at first, and there wasn't a lot of technical training.

2. A lot of good changes that were made to NSP came too late. We were required to finish obligating our funds quickly (18 months). We got help so late that by the time we received assistance, we had already obligated our funds. We could have designed a better program from scratch versus learning as we went. So, it would have been helpful if we didn't have such a short deadline.

3. Making sure that the amount of rehabilitation isn't so excessive that it prices each of the NSP houses out of the market. These are houses in distressed areas, so it's a particular challenge.

**Dallas Fed:** Have you used other funding sources beyond NSP?

**City of San Antonio:** Neighborhood Housing Services of San Antonio used some Wells Fargo Foundation funds for some of our NSP homes. Also, the Cevallos Lofts project leveraged \$23 million and Sutton Oaks leveraged \$36 million, so they received a lot of funds from other sources, such as private lenders, and tax credits.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**City of San Antonio:** No. The only experience we had with financial institutions was in issuing the Construction Loan Guarantee Program. However our affordable housing partners did have a tough time convincing asset managers from large financial institutions that NSP was a real and viable program. When our partners tried to purchase foreclosed homes from banks, they were having issues convincing these asset managers to accept the offers since they are primarily paid by how quickly they could sell foreclosed properties on their books. It was hard for them to accept offers from our partners since it took between 45 to 60 days to close on a property after completing an environmental review and other due diligence activities.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of San Antonio:** The multifamily projects have had a very big impact in San Antonio. Sutton Homes was a difficult place to live. It was an area of high crime and blighted conditions for our working-class community. The development prior to the redevelopment was infamously known as "Sutton Death." The Sutton Oaks Apartments, which replaced the old Sutton Homes projects, not only stabilized the area but reduced crime and increased residents' pride in their community. Due to the lending market at the time, this project may not have been possible if it didn't receive an injection of NSP funds.

In addition, the Cevallos project is the first affordable housing development in the south downtown area in years. It will add 252 units to our downtown area and will be a game changer because it will help transform the area from a slum—blighted, vacant, unutilized—into a vibrant livable community area that contributes to the downtown economy. The project is slated to be completed in December 2011 and has already made an impact. Other private developments have begun construction in the area.





Unlike our multifamily projects, our single-family projects have not had the same impact of stabilizing neighborhoods because 25 NSP homes are dispersed throughout the city. Home sales have been very slow because of market conditions. We have until December 2013 to complete NSP and now that we have our process down, the city can use program income to reinvest in our program to acquire, rehabilitate and sell 75 single-family homes by the end of the grant period. The more we can sell, the greater impact we can make. However the housing market will ultimately dictate the number of homes that can be cycled through the program.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**City of San Antonio:** Besides those deadlines, program income originally wasn't allowed. We were going to have to return it to the federal government. That rule was later revised. Also, there was an issue at the beginning in which we were trying to nail down the definition of "redevelopment" because it was a catch-all phrase of activities. When that term was more clearly defined, it allowed us to open up activities to Cevallos Lofts and Sutton Oaks redevelopment projects.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**City of San Antonio:** Now that our single-family program process of acquiring, rehabilitating and reselling is defined, the city can replicate the model by using Community Development Block Grant or HOME funds to run similar programs. However, no plans are in place at this point to replicate the program. The city is looking at our model of single-family acquisition/rehab/resale for other affordable housing purposes. Our Office of Historic Preservation is looking to do a similar acquisition, rehabilitation and resale activity with homes with historic value.

**Dallas Fed:** What lessons learned would you like to share?

**City of San Antonio:** From stabilizing home prices to stabilizing housing stock to stabilizing the loss of households, stabilization means many different things. I have learned that there is a very difficult and fine line between trying to do all three while keeping subsidies as low as possible. I would focus more on smaller sized homes in a more concise area to have a greater impact. I would also spend more effort in working to develop a credit enhancement program as well as foreclosure prevention. It would be less expensive to the public in the long run.

**Dallas Fed:** Is there anything else you would like to add?

**City of San Antonio:** We held a homeownership fair that had an introduction to homebuying session. In addition, Wells Fargo and other lenders provided information on the homebuying process. There needs to be a big push to help low-income individuals with their credit and to put them on a path to homeownership. The need for affordable (not necessarily low-income) housing is present. However, for many in San Antonio, credit issues and decent paying jobs are barriers to buying homes.

Also, in our Construction Loan Guarantee Program, even with the guarantee, banks do not want to lend because they consider NSP housing to be speculative when there are no contracts from the buyers. Builders are also apprehensive because they do not want to bear the risk of foreclosures.

**Website:** [Neighborhood Stabilization Program Resource Exchange](#)



## City of Dallas

## NSP1

**TOTAL FUNDS: \$7,932,555**

### ACTIVITIES

- 67 percent of funds:** [Acquisition, Demolition, and Redevelopment of Foreclosed or Abandoned Properties](#): Used already established land bank to acquire vacant foreclosed tracts of land from lenders and sell them in groups to nonprofit and for-profit developers. Newly developed properties were for sale or rent to households at or below 120 percent of AMI. The city has built 48 single-family units and sold 39 of them. The for-profit developer Altura built 37 of the units. Three nonprofit developers built the remaining units, all of which are for households under 50 percent of AMI. These developers are East Dallas Community Organization (four units), Inner City Community Development Corporation (one unit) and Citywide CDC (six units).
- 23 percent of funds:** [Acquisition, Rehabilitation and Sell or Rent Foreclosed Properties](#): Provided loans to developers to rehabilitate foreclosed properties. The city acquired 27 single-family units and sold 25 of them. Eight of the homebuyers were less than 50 percent of AMI, and the rest were 51 percent to 120 percent of AMI. The city's partners in this activity are developers: Altura, Bilingual Real Estate and SCB Builders.
- 10 percent of funds:** [Program Administration](#).

## NSP3

**TOTAL FUNDS: \$2,356,962**

### ACTIVITIES

- 100 percent of funds:** [Acquisition, Demolition, and Redevelopment of Foreclosed or Abandoned Properties](#): Use the already established land bank to acquire 17 vacant foreclosed tracts of land from lenders and sell them in groups to nonprofit and for-profit developers. Newly developed properties will be for sale or rent to households at or below 120 percent of AMI. Five of the 17 households will have less than 50 percent of AMI.

## Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

- City of Dallas:**
1. Selling houses to lower-income families.
  2. The partnerships that we built with financial institutions and developers.
  3. Providing interim financing to nonprofit developers. For example, a house that will appraise at \$91,000 can cost a nonprofit \$125,000 to build. We are able to fill that gap with our interim financing; a bank would not fill that gap because they would lose money.

**Dallas Fed:** What have been your biggest challenges?

- City of Dallas:**
1. NSP's timeline is difficult for some developers to work under.
  2. Competing with private sector investors that are interested in the same properties. We don't move as quickly as for-profit investors, whose interest is flipping properties.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

- City of Dallas:** Yes. Financial institutions send us information on properties that are available to be rehabilitated, and we give this information to developers. They have also enabled us to do interim financing for nonprofit developers. Because it takes nonprofits longer to build than for-profit developers, and because houses can cost more to build than what they will be appraised for, they need interim financing. By partnering with banks, we are able to grant nonprofit developers 50 percent of their construction costs. By working between financial institutions and nonprofit developers, we can meet NSP's requirements of providing homeownership opportunities for hard-to-reach households.



**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of Dallas:** We don't yet know the total impact. However, in our Cedar Creek project, we are building where there are a lot of vacant lots. This is where the developer had stopped building because it went bankrupt. If we hadn't built there, it probably would have taken several years longer to build the neighborhood out. So, we have helped stabilize the property values of that neighborhood. Also, the nonprofit developers that we have partnered with have seen some improvement in the market value of their properties. For example, a house that was valued at \$60,000 is now valued at \$91,000.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**City of Dallas:** The relationships we have built with lenders through NSP will enable us to continue our stabilization work.

**Dallas Fed:** What lessons learned would you like to share?

**City of Dallas:** Trying to help people with very low incomes become homeowners is difficult because it is hard for them to maintain financing—that is, we make the home affordable at the start of their mortgage to assist them long-term with keeping their home.

**Website:** [Neighborhood Stabilization Program Resource Exchange](#)

### City of Fort Worth

### NSP1

**TOTAL FUNDS: \$6,307,433**

#### ACTIVITIES

**66 percent of funds:** [Down Payment Assistance](#): Provided \$25,000 in down payment assistance to 166 households for one- and two-unit properties. Up to \$5,000 of these funds could be used to cover closing costs, and up to \$5,000 could be used for minor repairs. The remaining balance could be used for down payment.

**27 percent of funds:** [Acquire and Rehabilitate Multifamily Rental Property](#): Acquired and rehabilitated a 64-unit multifamily rental property. All units are for households under 50 percent of AMI.

**6 percent of funds:** [Program Administration](#).

**1 percent of funds:** [Lead Testing and Appraisals](#).

#### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

**City of Fort Worth:** We promoted neighborhood stabilization where foreclosure and housing vacancies have negatively affected the housing market.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of Fort Worth:** Yes. We helped 166 families get into foreclosed homes, which increases property tax revenues received by taxing entities and has a spillover into other industries because homebuyers tend to purchase appliances, furniture, etc. And the increase in consumer spending helps the economy.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**City of Fort Worth:** None

**Websites:** [Fort Worth Down Payment Assistance Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)



**Dallas County**

**NSP1**

Note: This program was completed in October 2011.

**TOTAL FUNDS: \$4,405,482**

**ACTIVITIES: 40 units**

**91 percent of funds:** **Buy, Repair, and Resell Foreclosed or Abandoned Homes:** Dallas County hired Dallas Area Habitat for Humanity and Dallas Neighborhood Homes to buy, repair and resell 40 foreclosed or abandoned homes in selected geographic areas in Lancaster (17 homes), DeSoto (12 homes), Cedar Hill (8 homes) and Duncanville (3 homes). Dallas County's program only purchased uninhabited homes and did not displace any residents.

Depending on the ability of the homebuyer to obtain an affordable mortgage on the private market, the buyers either paid for the homes using a traditional mortgage (sold by Dallas Neighborhood Homes) or a 0 percent interest mortgage provided through the traditional sweat-equity Habitat program. Approximately half of the buyers have Habitat mortgages, and half were purchased using other financing options.

Fifteen of the homes (accounting for approximately one-third of the funds) were sold to buyers earning less than 50 percent of AMI. The purchase discounts of foreclosed homes ranged from 1 percent to 36 percent, and the average purchase discount was a little over 7 percent off the appraised value. All homeowners completed at least eight hours of housing counseling with the Dallas County Home Loan Counseling Center. The homeowners using a Habitat mortgage completed additional classes to earn the interest-free mortgage and completed the 400-hour sweat equity requirement.

According to Dallas Area Habitat, 80 percent of the homebuyers are black, 17.5 percent of them are Hispanic and 2.5 percent of them are non-Hispanic white.

**9 percent of funds:** **Program Administration**

**NSP3**

**TOTAL FUNDS: \$1,364,426**

**ACTIVITIES:**

**100 percent of funds\*:** **Buy, Repair, and Resell Vacant Homes:** Dallas County hired Dallas Area Habitat for Humanity and Dallas Neighborhood Homes to buy, repair and resell at least 10 vacant homes in a selected geographic area in Lancaster. At least three of the houses will be for households earning less than 50 percent of AMI.

Depending on the ability of the homebuyer to obtain an affordable mortgage on the private market, the buyers either paid for the homes using a traditional mortgage (sold by Dallas Neighborhood Homes) or a 0 percent interest mortgage provided through the traditional sweat-equity Habitat program. Approximately half of the buyers have Habitat mortgages and half were purchased using other financing options. For the buyers, Dallas County's NSP3 requirements are the same as for NSP1.

Dallas Area Habitat has purchased two homes and is placing two additional homes under contract.

**\*Percent of funds:** A flat fee of \$10,550 per house is charged by Dallas Area Habitat and that covers program administration.

**Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** What have been your biggest successes?

**Dallas Area Habitat for Humanity:** 1. We are very proud that we were able to expend all of the NSP1 funding before the obligation deadline and that we quickly got this money into the community to help stabilize the neighborhoods and stimulate the economy.



2. We are also proud that over 84 percent of all of the LEED-certified homes in Dallas are built by us.

3. The Neighborhood Stabilization Programs have been a vital part of our holistic neighborhood revitalization campaign—Dream Dallas.

4. We clustered the homes in neighborhoods where the product allowed the homebuyer to afford the total costs of homeownership (including taxes and utilities).

**Dallas Fed:** What have been your biggest challenges?

**Dallas Area Habitat for Humanity:**

1. For NSP1, there was a lot of competition in the market for the homes. Given the geographic and house-cost limitations, it took a lot of searching and legwork to purchase the 40 homes. Because we want to ensure that the homeowner can afford to own the home over the long term, homes that did not provide sustainable homeownership opportunities were not a good fit for the program, even though the foreclosure databases may show a large number of foreclosed properties in the area. In other words, just because a purchase price is low does not mean that buyers earning less than 120 percent of AMI can afford the taxes, utilities and insurance on a 4,500-square-foot home.

2. Despite numerous efforts, we also have had difficulty finding vendors who will self-identify as a Section 3 business. We have routinely explained the Section 3 requirements to our vendors and asked them to self-certify, but many companies do not seem to be familiar with this requirement and it has been challenging to find Section 3 vendors. (Note: According to HUD, "The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods." For details, see [www.hud.gov/section3](http://www.hud.gov/section3).)

3. It is also difficult to sell homes in distressed infill neighborhoods when buyers prefer to purchase homes in subdivisions. It is very difficult to sell a new home next to a dilapidated, boarded-up haven for crime. Since the city of Dallas' Mortgage Assistance Program provides the same level of subsidy to purchase homes in subdivisions as purchasing infill lots, we have had to add two additional census tracts in Wilmer and Lancaster to meet the customer demand to purchase homes outside of the infill communities within the city of Dallas. Our original plan was to spend all the NSP2 funding within the city of Dallas, but given the lack of demand for these homes, we will likely end up moving approximately \$5 million to building homes in Wilmer and Lancaster.

**Dallas Fed:** Have you used other funding sources beyond NSP?

**Dallas Area Habitat for Humanity:**

Yes. We are still using all of our traditional funding sources: private donors, foundations, churches, corporations, in-kind donors, revenue from our three stores, Fund for Humanity (mortgage payments) and other government funding streams: Self-help Homeownership Opportunity Program (SHOP), HOME Investment Partnerships Program ("HOME"), Community Development Block Grant (CDBG) program and other donors and supporters.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**Dallas Area Habitat for Humanity:**

Yes. We have worked with numerous financial institutions. We are working with the National Community Stabilization Trust and have purchased properties from at least 13 different lenders: Bank of America, HUD, Wells Fargo, Fannie Mae, Veterans Affairs, HSBC, Chase, AHMSI, Archbay, GMAC, Litton, Deutsch Bank and Nation Star.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your target market—Dallas County?



- Dallas Area Habitat for Humanity:** Yes. These programs help to stabilize housing in these communities. We appraised the 40 NSP1 homes prior to purchase and again after the repairs were completed. The average increase in appraised value for the four cities was over 25 percent, with a 28 percent increase in Cedar Hill, 23 percent in DeSoto, 33 percent in Duncanville and 24 percent in Lancaster.
- Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?
- Dallas Area Habitat for Humanity:** We have had difficulty finding a lot of businesses that will certify themselves as Section 3 businesses.
- Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?
- Dallas Area Habitat for Humanity:** Yes. Dallas Area Habitat for Humanity's mission is to transform neighborhoods by engaging families and community partners in creating affordable housing. We were in this before NSP started and will continue to revitalize communities once these programs are done. We are just about to complete our one-thousandth house. We are ramping up our exterior remodeling program called A Brush With Kindness, and we have also taken on a new campaign to Fight the Blight by purchasing and demolishing at least 25 derelict properties. Dream Dallas is our comprehensive plan to revitalize communities. More information is available at [www.dallasareahabitat.org](http://www.dallasareahabitat.org).
- In addition, the revenue from the sales of NSP homes (NSP1, 2 and 3) is part of the Fund for Humanity and will be used to build more affordable housing in the cities of Lancaster, DeSoto, Duncanville and Cedar Hill.
- Dallas Fed:** What lessons learned would you like to share?
- Dallas Area Habitat for Humanity:** To run a successful Neighborhood Stabilization Program (or any program), it is imperative to know your local market conditions and not make decisions based on national statistics. Stabilizing communities takes a concerted effort to bring together all of the partners involved. Investing these precious resources wisely will not only improve the lives of the homeowners buying NSP-funded homes, but will also improve the lives of the surrounding community.
- Websites:** [Dallas Area Habitat for Humanity and Neighborhood Stabilization Program Resource Exchange](#)

**Tarrant County** **NSP1**

**TOTAL FUNDS: \$3,293,388**

**ACTIVITIES:**

- 65 percent of funds:** [Purchase and Rehabilitate](#): Purchased and rehabilitated 14 foreclosed and vacant properties. All of the units have been sold to households that have an income equal to or less than 120 percent of AMI. The county provided down payment and closing costs assistance to the households who bought the NSP houses.
- 25 percent of funds:** [Redevelopment](#): Acquired and redeveloped four demolished or vacant properties for rental housing. In addition, acquired and redeveloped another multifamily unit, which will provide housing for 12 households with up to 50 percent of AMI or households who are homeless. At least 50 percent of the units in this redevelopment activity are occupied.
- 10 percent of funds:** [Program Administration](#).

**Q&A: INSIGHTS FROM THE GRANTEE**

Declined request for more information.

**Website:** [Neighborhood Stabilization Program Resource Exchange](#)





## City of El Paso

## NSP1

**TOTAL FUNDS: \$3,032,465**

### ACTIVITIES:

- 61 percent of funds:** [Redevelopment of Demolished or Vacant Properties](#): Purchased a three-acre plot of land from the city and will build a 15- to 20-unit multifamily rental development for seniors with up to 50 percent of AMI. The El Paso Housing Authority will administer it once it's completed.
- 29 percent of funds:** [Acquisition/Rehabilitation/Disposition](#): Acquired and rehabilitated eight single-family homes for households with up to 120 percent of AMI and sold three of them. (Note: Under this activity, the city is using its NSP grant from TDHCA to purchase, rehabilitate and sell two homes by the end of January 2012.) Two homeowners who purchased NSP homes received up to \$10,000 in the form of a deferred forgivable loan. The city plans on providing assistance to more homeowners.
- 10 percent of funds:** [Program Administration](#).

### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

**City of El Paso:**

1. Enabling families to own completely rehabilitated homes who otherwise would not have such an opportunity.
2. A big success will be the multifamily rental units that we will be providing to low-income elderly people.

**Dallas Fed:** What have been your biggest challenges?

**City of El Paso:**

1. There are not many foreclosed properties—we didn't have such a large foreclosure problem like Arizona or other areas of the country—so it has been difficult to find areas that need to be redeveloped that qualify under NSP regulations.
2. We were going to demolish some blighted structures, but we can no longer do so due to the court's decision in the Texas Supreme Court and City of Dallas v. Stewart lawsuit. On July 1, 2011, the presiding judge ordered that the city (its council and other entities) can no longer dictate whether a building be demolished. That decision now has to be made by a court system. There is no way that we can meet the NSP deadline if we go through the court system at this point in time, so we will no longer use our NSP funds to demolish any structures.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**City of El Paso:** Our homebuyers work directly with lenders that are willing to work with NSP properties.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of El Paso:** Not yet. The single-family units are too spread out to stabilize their neighborhoods. However, the multifamily project will make an impact on housing opportunities for low-income elderly people plus beautify the area with its landscaping. There will be a park for residents, which will bring a new feel to the neighborhood.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**City of El Paso:**

1. The reporting system is very complicated.
2. The regulations are unclear and ever-changing, so we need to call HUD any time a question arises about NSP rules and regulations. HUD, however, has been very responsive and helpful.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?



**City of El Paso:** For single-family houses, no, because the neighborhoods that they are in are already nice. For our multifamily housing development, the El Paso Housing Authority will take it over once we've completed construction, so it will be up to them about how they manage the property.

**Dallas Fed:** What lessons learned would you like to share?

**City of El Paso:** Stick to one project rather than trying to do everything because it will be easier to execute. This way you won't be pulled in many directions and don't have to build expertise on several different activities. Instead, you have the time to build expertise on one activity, concentrate just on that and then run it as efficiently as a machine.

**Websites:** [City of El Paso Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

## Hidalgo County

### NSP1

**TOTAL FUNDS: \$2,867,057**

Note: All of the properties under Hidalgo County's NSP have been purchased in conjunction with Proyecto Azteca and Affordable Homes of South Texas Inc. (AHSTI). Both organizations do their own in-house financing.

#### ACTIVITIES:

**34 percent of funds:** [Land Bank](#): Working with AHSTI, the county purchased 71 lots in the land bank, constructed three new homes and sold one of them.

**31 percent of funds:** [Purchase and Rehabilitation of Abandoned or Foreclosed Homes and Financing Mechanisms \(I\)](#): AHSTI does the daily activities of running this activity. It purchased 13 foreclosed single-family homes, and eight of them have been repaired and sold. One unit's sale is pending (it is in the loan closing process), and four units have been repaired and are for sale. All of the units are for households with 51 to 120 percent of AMI. AHSTI has a waiting list of families interested in purchasing these units. It provides homeownership education and down payment and closing costs assistance to households, including those who purchase homes through Hidalgo County's NSP.

**26 percent of funds:** [Redevelopment of Vacant Properties and Financing Mechanisms \(II\)](#): Proyecto Azteca bought 13 foreclosed vacant lots for the purpose of building new houses and selling them to families that have up to 50 percent of AMI. Two of the units have been sold, three are under construction, two are at 75 percent completion and four are at 50 percent completion. Construction has not yet begun on the remaining two lots. All of the units are for households with up to 50 percent of AMI. Families that qualify for this program have been identified for all of the homes. Proyecto Azteca extends the mortgage loans and provides financial education for the homebuying process.

**10 percent of funds:** [Program Administration and Planning](#).

### NSP3

**TOTAL FUNDS: \$1,716,924**

Note: The county is doing the same activities for NSP3 as it is doing for NSP1.

**61 percent of funds:** [Financing Mechanisms \(I\) and Land Bank for the Purpose of New Construction of Single-Family Homes](#): This is the same activity as the one listed above with AHSTI.

**29 percent of funds:** [Redevelopment of Vacant Properties and Financing Mechanisms \(II\)](#): This is the same activity as the one listed above with Proyecto Azteca.

**10 percent of funds:** [Program Administration and Planning](#).



**Q&A: INSIGHTS FROM THE GRANTEE**

- Dallas Fed:** What have been your biggest successes?
- Hidalgo County:** Both partners have a long wait list, so we're helping address the affordable housing supply issue.
- Dallas Fed:** What have been your biggest challenges?
- Hidalgo County:**
  - 1. The original discount requirement of buying houses for 15 percent below market value discouraged lenders. They weren't willing to work with us. The discount has since been changed to 1 percent.
  - 2. We changed our focus from not building new properties to building them. We did so through the land bank. Our challenge has been that we have 700 to 800 foreclosure filings per month, so our impact is minimal.
- Dallas Fed:** Has NSP helped stabilize neighborhoods in your county?
- Hidalgo County:** The 13 that we sold—yes—but we won't know until we complete the land bank.
- Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?
- Hidalgo County:** Originally, the environmental review processing time, the 15 percent discount requirement and other red tape made the program difficult.
- Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?
- Hidalgo County:** Yes, we will do so with our HOME funds and now with the NSP3 allocation received.
- Website:** [Neighborhood Stabilization Program Resource Exchange](#)

**Fort Bend County      NSP1**

**TOTAL FUNDS: \$2,796,177**

**ACTIVITIES**

- 33 percent of funds:** [Redevelop Demolished or Vacant Properties](#): Partnered with Fort Bend Habitat for Humanity to purchase and redevelop abandoned vacant properties and build 10 single-family houses. Units will serve 10 households, all of whom are/will be 50 percent of AMI. Construction is complete on three houses, which have been sold to buyers. Four houses are under construction.
- 24 percent of funds:** [Demolish and Rebuild Single-Family Houses](#): Partnering with the Fort Bend Community Revitalization Projects (CORPS) to demolish and rebuild seven single-family blighted houses. Fort Bend CORPS finished demolishing all seven units. All of the homeowners who lived in the original houses will move back into their homes once reconstruction is complete. All of them are below 50 percent of AMI. Construction is under way on three houses.
- 19 percent of funds:** [Purchase and Rehabilitation of Foreclosed Homes](#): Partnered with the nonprofit organizations Texana and The Arc to serve 11 disabled individuals who are below 50 percent of AMI. Both partners bought foreclosed single-family houses, rehabilitated them and then made them group homes. Texana purchased two houses, and The Arc purchased one house.
- 13 percent of funds:** [Down Payment and Closing Costs Assistance](#): In partnership with the Southeast Texas Housing Finance Corporation, provided down payment assistance of up to \$25,000 for households wanting to buy foreclosed homes. Four first-time homebuyers have received the assistance, and two more households are in the homebuying process. Two of these four households are less than 50 percent of AMI.
- 10 percent of funds:** [Program Administration](#).

**Q&A: INSIGHTS FROM THE GRANTEE**

- Dallas Fed:** What have been your biggest successes?



**Fort Bend County:** Working with nonprofits and helping them meet their goals. As a result, we both met each other's goals.

**Dallas Fed:** What have been your biggest challenges?

**Fort Bend County:** 1. Getting NSP off the ground and moving.  
2. Trying to keep abreast of NSP changes.  
3. There have not been enough qualified applicants for our Down Payment and Closing Costs Assistance program. We received 35 applications and have been able to approve only four; two applications are in the approval process, and the other 29 applicants didn't qualify.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**Fort Bend County:** Yes. Banks are involved in the financing of houses through Southeast Texas Housing Finance Corporation.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your county?

**Fort Bend County:** Yes. Our activities might have been different from what was expected by HUD, but we have made a positive impact through our wide array of projects. For example, Habitat went into a partially developed subdivision, purchased vacant lots and constructed 10 new homes where development had ceased and no construction was planned in the near future. In addition, Fort Bend CORPS saw blighted houses, removed them and is now building affordable homes that meet government housing standards. These houses improved the quality of life of both the homeowners and their neighbors.

**Website:** [Neighborhood Stabilization Program Resource Exchange](#)

**City of Grand Prairie NSP1**

**TOTAL FUNDS: \$2,267,290**

**ACTIVITIES**

**45 percent of funds:** [Foreclosed Home Purchase Assistance Grant Program:](#) Assisted 61 households in purchasing foreclosed single-family homes by providing up to \$20,000 (as a grant) for closing costs and down payment assistance and rehabilitation work. Funds could cover up to 50 percent of down payment. Ten of the 61 households were under 50 percent of AMI.

**45 percent of funds:** [Foreclosed Home Acquisition and Resale Program:](#) Purchased 17 foreclosed homes; rehabilitated and sold 14 of them at a 20 percent discount to qualified government and school district employees working in Grand Prairie. Discount comes from down payment and closing costs assistance and fees and discounts to the house's selling price. One home is currently under contract to be sold to a government employee. The remaining two foreclosed properties are in the rehabilitation phase and will be sold within 60 days. So far this activity has provided a homeownership opportunity to four households who are under 50 percent of AMI. The city has partnered extensively, working with a number of lenders (for example, WR Starkey Mortgage, SWBC Mortgage, Bank of America, Wells Fargo, DHI Mortgage), Dallas County Home Loan Counseling Center, Consumer Credit Counseling Service of Greater Dallas, and many real estate agents, general contractors, home inspectors, title companies and home warranty companies. The city is also teaming with Tarrant County Housing Partnership to hold face-to-face postpurchase counseling workshops.

**10 percent of funds:** [Program Administration.](#)

**Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** What have been your biggest successes?

**City of Grand Prairie:** 1. Enabling 75 families to buy homes, including government employees. These are people who will take good care of their properties, which will increase the value of their houses and their neighbors', thereby stabilizing their communities and helping the city.



2. Taking 75 foreclosed properties off of the market.
3. The National Association of Housing and Redevelopment Officials awarded us a community development merit award for our NSP work. For details, see [www.nahro.org/awards-agency](http://www.nahro.org/awards-agency).
4. Our Neighborhood Stabilization Program is also featured on the [HUD NSP Resource Exchange website](#), which showcases photos of NSP projects completed by the city of Grand Prairie.

**Dallas Fed:** What have been your biggest challenges?

- City of Grand Prairie:**
1. Communication with HUD was difficult at first.
  2. We had to immediately implement NSP within a short time frame—18 months—and a lot of HUD training came late.
  3. With our Foreclosed Home Acquisition and Resale Program, we knew from experience not to over-improve houses. If neighboring houses were valued at \$130,000 and we acquired a house for \$110,000, then we knew that we should put not much more than \$20,000 into the house. Otherwise, we wouldn't get the money back on our investment.
  4. Educating real estate agents and lenders on what NSP was and how it worked. Now that they understand the program, it's been great working with them.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**City of Grand Prairie:** At the beginning it was hard working with them, but now that we're over two years into the program, they have jumped on board. It was late in the process, but they have enabled us to buy some properties in bulk, have a first look at some of their properties and receive special discounts. For example, we received a 10 percent discount when we bought five or more real estate owned (REO) properties and closed them within an agreed-upon time frame.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of Grand Prairie:** Yes. With NSP we were able to take 75 homes off of the foreclosure list. We helped increase the values of homes, as seen by their prepurchase versus postpurchase market values, and we could have done more if we had more funds.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**City of Grand Prairie:** The red tape.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**City of Grand Prairie:** Once our acquisition and resale funds dry up, we will continue NSP through the program income it has generated. Outside of NSP, we have been working with HUD on a REO program. HUD had five REO properties occupied by households displaced by Hurricane Katrina. They offered to sell us the properties at 50 percent off of their appraised values if we offered the households the right to buy these properties. If these households did not qualify, then we would give them a rental voucher. We did acquire the five properties and have sold four of them. We are trying to administer this program like NSP so that we will generate program income, which will enable us to continue providing housing for low-income households.

**Dallas Fed:** What lessons learned would you like to share?

**City of Grand Prairie:** Learn all you can about real estate—market values, market assessment, etc.—because it's critical to your success.

**Dallas Fed:** Is there anything else you would like to add?



**City of Grand Prairie:** A council or a board that backs your efforts is critical to success. The approval and the support of the Grand Prairie city council, mayor and the city manager's office was crucial to our success in enabling us to use NSP funds to stabilize the property values and increase tax revenues for the city.

**Websites:** [Grand Prairie Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

## City of Mesquite

## NSP1

**TOTAL FUNDS: \$2,083,933**

### ACTIVITIES:

**65 percent of funds:** [Purchase/Rehabilitate/Sell Program](#): Purchased 13 abandoned or foreclosed single-family residential properties and rehabilitated one. The city sold the one rehabilitated home. The city is planning on rehabilitating and selling the remaining 12 properties.

**26 percent of funds:** [50 Percent of AMI Program](#): The city purchased nine single-family homes or vacant properties and redeveloped and sold two of them to buyers with incomes up to 50 percent of AMI. All of the remaining properties will be rehabilitated and are designated for sale to households with incomes up to 50 percent of AMI.

**9 percent of funds:** [Program Administration](#).

### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

**City of Mesquite:** 1. It took a while to figure out how to make NSP work here. The process has gotten a lot better this year because of the NSP Resource Exchange website, which makes sample documents available and has webinars and other resources to let grantees know how to apply NSP rules and also see what other NSP grantees have done in their communities.

2. We did quality rehabilitation work, so these properties won't need maintenance for a while.

**Dallas Fed:** What have been your biggest challenges?

**City of Mesquite:** 1. Originally NSP was written in such a way that it left a lot of question marks, and we weren't getting much guidance from HUD. In the implementation process, we had to do a lot of research about how this program would work because there were activities that made sense for other grantees—such as razing entire blighted neighborhoods in Detroit—but not for us. HUD guidance has evolved in real time, so even its representatives say that we have to ask questions on its online resource guide. Getting an answer to a simple question can take more time than we might prefer.

2. It was hard to meet the 18-month obligation deadline (we were required to obligate all of our funds in that time period).

3. A lot of properties are older and our younger families want new and big houses; they are not necessarily looking at the quality of our rehabilitation work on older homes.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**City of Mesquite:** Yes and no. Even though it would make it easier to have preferred lenders (they know NSP and we have established a process with them, so it is faster working with them than other lenders), we would like to avoid the perception of preferential treatment. So, our NSP homebuyers choose their own lenders. We verify that they have financing and answer any questions they may have.





Recent changes to the Community Reinvestment Act regulations allow financial institutions to expand their approved reinvestment areas to include NSP-designated target areas in NSP-approved action plans. So, we've approached some local banks and told them that they can meet their CRA obligations by working with us. These banks weren't interested because they think that they can already meet their CRA responsibilities.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of Mesquite:** It's hard to say, but yes, to a degree it has. We're just beginning to sell NSP properties. Neighbors have commented that because these properties were vacant, they are glad that someone is now taking care of them—rehabilitating them, mowing their yards and doing other things to get them ready for sale. So the neighbors' perception is that we are trying to help. Perception is important because it impacts the market in terms of perceived stability.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

**City of Mesquite:** There were a number of them. A big one was the 18-month deadline, which forced us to make decisions that we wouldn't have made otherwise. For example, we own 19 properties but wouldn't have purchased all of them in 18 months because we're not property managers. Another difficult aspect was the absence of clear guidance. We couldn't always get straightforward answers to our questions from HUD but were overshadowed with the impression of "you better do it right or we'll come after you."

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**City of Mesquite:** Yes but probably not with an NSP-type of program. Our plan is to work with CDBG funds on "Project Renewal," which includes enhanced code enforcement, and our Rental Certificate of Occupancy program. In this program, every time a single-family unit has a change of occupancy, the landlord is required to tell us so that we can inspect the unit to ensure that it is safe and meets all of our codes—both inside and out. Residents have given positive feedback; not surprisingly, landlords haven't.

**Dallas Fed:** What lessons learned would you like to share?

**City of Mesquite:** We made the best decisions that we could in the time that we had. We understand that we needed to get money to the street quickly, but maybe it would've been better if we could have obligated less than 100 percent of our NSP funds within 18 months. Also, we could only use up to 10 percent of our NSP funds for program administration, and we needed more than that so that we could have had the time and money to do more research. For the CDBG program, for example, up to 20 percent of funding can go to administration.

**Website:** [Neighborhood Stabilization Program Resource Exchange](#)

## City of Arlington

## NSP1

**TOTAL FUNDS: \$2,044,254**

### ACTIVITIES

**52 percent of funds:** **Homebuyer Assistance:** Provided down payment assistance and closing costs assistance, reduced mortgage principal and rehabilitated housing units for low-income households. Helped 28 homebuyers acquire vacant, foreclosed single-family units; seven of the units were for households with less than 50 percent of AMI.



**36 percent of funds:** [Acquisition/Rehabilitation/Resale](#): Purchased, rehabilitated and then sold eight single-family houses to low-income households; three of the homebuyers were below 50 percent of AMI.

**6 percent of funds:** [Acquisition/Demolition/Redevelopment of New Single-Family Housing Units and/or Public Facility](#): Acquired and demolished two substandard, vacant, foreclosed housing units. The city plans to redevelop energy-efficient single-family homes on the two sites and then sell them to low-income households.

**6 percent of funds:** [Program Administration](#).

## **Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** What have been your biggest successes?

- City of Arlington:**
1. We helped families achieve the American dream of homeownership. Many participants were first-time homeowners. The program enabled renter households to make the transition to homeownership and move their families to a decent home in a nice neighborhood.
  2. Arlington has satisfied the goals of NSP, as it was designed, and has generated over \$190,000 of program income, which we are using to continue the program.
  3. Arlington partnered with the Tarrant County Housing Partnership Inc. for housing counseling services. They helped applicants meet NSP's eligibility requirements and provided them with the critical linkage to lenders that were offering quality lending products.

**Dallas Fed:** What have been your biggest challenges?

- City of Arlington:**
1. Operationally it was a challenge to rapidly start a brand new activity. It also was a challenge for the grantees to learn and implement freshly created NSP rules and guidelines. The program was clearly a challenge for HUD, too, as it was tasked to quickly start NSP. It was new territory for both HUD and for the grantees, and we commend HUD for how they handled the program: They created a panel of people in their headquarters from different disciplines, so whenever a grantee had questions, they were funneled through field offices to headquarters, and its NSP committee gave well-thought-out responses. This was a critical benefit to grantees and, we believe, an important reason for the success of NSP over other stimulus programs.
  2. During the housing crisis, Arlington has experienced an average of approximately 100 foreclosures per month. While we find the NSP1 to be a helpful initiative, we are concerned about the lack of this valuable resource because we did not receive NSP2 or NSP3 funding.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

- City of Arlington:** Yes. We have worked with Fannie Mae and HUD. For example, we purchased one or two homes from Fannie Mae with a 5 percent to 10 percent discount. In addition, we acquired five HUD-owned foreclosures at 50 percent of their appraised value.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

- City of Arlington:** Yes. At this time we only have anecdotal information. Residents of neighborhoods where NSP funds were invested offered extremely positive feedback about the program. They said that NSP made them feel safer in their neighborhoods because previously vacant properties are now renovated and occupied by stable homeowners who care for their property. The program has served to stabilize safety, property values, curb appeal and quality of life at the neighborhood level.

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?

- City of Arlington:** Lenders had to get comfortable with NSP, and once they did, things fell into place and worked very effectively. Once the first homebuyer went through the closing process, the rest of the home purchases went smoothly.



**Dallas Fed:** What lessons learned would you like to share?

**City of Arlington:** HUD did an excellent job in designing and implementing the program. At the core of the program's success is how HUD provided grantees with information to determine how to design the program to best fit the needs of their communities. NSP should be used as an example of how to do things right and be used as a model for other federal initiatives.

**Websites:** [Arlington Housing Authority Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

### City of Garland

### NSP1

#### TOTAL FUNDS: \$2,040,196

**35 percent of funds:** [Garland Property Stabilization](#): Acquired and rehabilitated nine foreclosed, vacant or abandoned single-family units and sold eight of them. Three units are for households with 51 to 80 percent of AMI. Households have received \$10,000 in down payment assistance.

**29 percent of funds:** [Second Chance Purchase](#): Purchased, repaired and sold four abandoned or foreclosed properties to four households with incomes of up to 50 percent of AMI. Provided down payment assistance to one of these households. This activity is completed.

**21 percent of funds:** [Land Bank Project](#): The Garland Housing Finance Corporation demolished one multifamily property with 42 units that was vacant, blighted and/or foreclosed and purchased three vacant foreclosed properties that have been redeveloped using HOME Infill funding.

**9 percent of funds:** [Program Administration](#).

**6 percent of funds:** [Neighborhood Stabilization Down Payment Assistance](#): Up to \$5,000 in down payment assistance for purchase of four foreclosed single-family homes; one was for a household with less than 50 percent of AMI, and the rest were for households with greater than 50 percent of AMI. This activity is completed.

#### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

- City of Garland:**
1. Getting vacant properties off of the market.
  2. Creating interest in the neighborhoods that we're investing in.
  3. Making homeownership affordable. Our NSP homeowners are paying less for their mortgages than they were paying in rent. As the mortgage company, we split the mortgage into two loans, which doubles the length of the loans but lowers homeowners' monthly payments. Their mortgages are between \$675 and \$875.
  4. Generating program income from NSP. When we have enough, we will use the income to buy more properties.

**Dallas Fed:** What have been your biggest challenges?

**City of Garland:** Our renovation costs have been astronomical. It may have been easier to demolish some of the houses rather than repair them.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your city?

**City of Garland:** Yes. It has been a catalyst because it has helped us focus on the same seven neighborhoods that were being invested in via other programs, like the [HOME Infill Program](#).

**Dallas Fed:** What aspects, if any, of the NSP requirements have made NSP difficult to administer or use?



**City of Garland:** None. It has been pretty easy to administer because it is like the HOME Infill Program, and we already had that up and running.

**Dallas Fed:** What lessons learned would you like to share?

**City of Garland:**

1. Pay close attention to renovation and construction costs.
2. Maintain the look of the neighborhood with your improvements.
3. Try to make your improvements serve as a catalyst for neighbors to beautify their own houses. We had three open houses and showed neighborhood residents the costs of simple updates—from painting their houses to trimming their trees and bushes to being more energy efficient. We showed them how they could save money by upgrading their appliances, insulation, toilets, light bulbs and windows. We emphasized that these improvements can make a world of difference because they impact the perception of the neighborhood. We told them about our services and programs, such as our house repair grant. In addition, we held neighborhood meetings to engage the neighborhood. Altogether, NSP was a catalyst for all of the neighbors—not just this program’s direct beneficiaries—to use the city’s services and programs.

**Websites:** [City of Garland Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

**TDHCA**

**NSP1**

**TOTAL FUNDS: \$101,996,848**

**ACTIVITIES:**

- 39 percent of funds:** [Acquisition of Foreclosed Single-Family or Multifamily Properties](#)
- 23 percent of funds:** [Residential New Construction](#)
- 15 percent of funds:** [Residential Rehabilitation](#)
- 10 percent of funds:** [Other \(for example, administration—combined state and subrecipient\)](#)
- 9 percent of funds:** [Land Banking](#)
- 3 percent of funds:** [Clearance and Demolition](#) (Note: Several of the unit-of-government subrecipients that hadn’t completed their demolition activities prior to the lawsuit have now decided not to proceed.<sup>2</sup>)
- 2 percent of funds:** [Homeownership Assistance](#) (i.e., mortgage financing and down payment and closing costs assistance. Note: This category is used only for direct assistance—the homebuyer is purchasing from a third party.)

See *Table 4* for the number of units per activity and the projected number of household beneficiaries. This number includes all multifamily units.

<sup>2</sup> This is the lawsuit of City of Dallas v. Stewart in the Texas Supreme Court. On July 1, 2011, the presiding judge ordered that the city (its council and other entities) can no longer dictate whether a building can be demolished. That decision has to be made by a court system.



**Table 4**

Households/properties	Total count	Less than 50% of AMI
Acquisition	815	751
Land Bank	631	
Homebuyer Assistance	37	14
(most duplicated in count above)		
New Construction	227	167
Rehabilitation	904	846

**NSP3**

**TOTAL FUNDS: \$7,284,978**

**ACTIVITIES**

**50 percent of funds:** [Acquisition and Rehabilitation](#): To be determined.

**40 percent of funds:** [Acquisition and New Construction](#): The Community Development Corporation of Brownsville is planning to construct 30 single-family homes in Cameron County, Texas. These houses will be rented to households at or below 50 percent of AMI.

**10 percent of funds:** [Program Administration](#).

**Q&A: INSIGHTS FROM THE GRANTEE**

**Dallas Fed:** Who are your partners?

**TDHCA:** Primarily HUD and our subgrantees. Until Aug. 30, 2011, a portion of the Texas NSP had been administered by the Texas Department of Rural Affairs, which has been dissolved through legislative action.

**Dallas Fed:** What have been your biggest successes?

**TDHCA:** As most of our subrecipients are in the process of completing rehabilitation or construction, our successes are still ahead of us. Notable among Texas NSP-financed projects that are close to finalization is [Villas by the Park in Fort Worth](#).

**Dallas Fed:** Have you used other funding sources beyond NSP?

**TDHCA:** Not specifically, although several of our subrecipients are layering funds from other sources, such as HOME, CDBG, local bond funds or private financing.

**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**TDHCA:** We experienced significant difficulty in working with real estate owned (REO) holders early on in the NSP, but as the bulk of initial acquisitions have now been completed, this is no longer a pressing issue. Financial institutions and lenders are not accustomed to working within the regulatory structure applicable to NSP.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your target markets?

**TDHCA:** We have closed loans for more than 770 properties since the program started—removing them from the market and stopping downward pressures—removed hundreds of blighted structures, and are working on projects like [Villas by the Park](#) and [Rosalia Ovalle's home](#) in San Antonio.

**Dallas Fed:** What aspects, if any, of the NSP requirements make NSP difficult to administer or use?

**TDHCA:** Early lack of clear direction from HUD and continued changes have, at times, made administration difficult. We have worked closely with the HUD Fort Worth office to understand and implement requirements.



**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**TDHCA:** The Texas NSP is structured such that all program income will be returned to us for redistribution to future NSP projects. Pending a final decision from HUD regarding program income after the end of our grant agreement in March 2013, we will continue NSP activities as funds are available for redistribution.

**Dallas Fed:** What lessons learned would you like to share?

**TDHCA:** The Texas NSP is structured such that subgrantees may undertake any of the eligible activities—in hindsight, limiting the activities would have simplified early implementation. Additionally, we did not have stringent-enough capacity and experience requirements for our subrecipients, which has led to a number of contract terminations.

**Websites:** [TDHCA Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)

## Habitat for Humanity International

## NSP2

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### TOTAL FUNDS IN TEXAS: \$28,954,259

#### ACTIVITIES:

**Build New Homes:** Habitat for Humanity International hired seven developers for its NSP2 work and chose Dallas Area Habitat for Humanity (DAHFH) as one of them. DAHFH must build at least 250 new homes in 10 eligible census tracts within Dallas County. All of the NSP2-funded homes must meet Leadership in Energy and Environmental Design (LEED) certification standards. At least 28 percent of the funds must be spent to build homes that are sold to buyers earning 50 percent of AMI or less. All units must be completed and titles transferred by Nov. 11, 2013. All homes must be sold to buyers earning 80 percent of AMI or less. Ninety-five homes are under construction, 62 homes are occupied and awaiting closing with the buyers and 45 homes have been sold to buyers.

**Percent of funds used for operations and administration:** Out of the total (\$28,954,259), Dallas Area Habitat can draw up to \$2,978,917.50 as a developer fee. The remainder will be used on operating the program. Dallas Area Habitat also is providing at least \$3.8 million in non-NSP resources for NSP2.

#### Q&A: INSIGHTS FROM THE GRANTEE

Dallas Area Habitat for Humanity is also implementing Dallas County's NSP1 and 3. To see its insights, go to the [Dallas County section](#) of this publication.

**Websites:** [Habitat for Humanity International](#) and [Neighborhood Stabilization Program Resource Exchange](#)





## El Paso Collaborative for Community and Economic Development **NSP2**

**TOTAL FUNDS: \$10,191,000**

### ACTIVITIES

**90 percent of funds:** [Acquisition, Rehabilitation and Return to Active Use](#): Acquire, rehabilitate and sell or rent foreclosed single-family properties in El Paso County and Horizon City. For-profit developers and nonprofit consortium members have partnered with the collaborative to develop properties in 22 census tracts that have experienced foreclosure rates of 20 percent or higher. One hundred five properties will be sold, and 20 properties will be rented. One quarter of program funds will be used for households at or below 50 percent of AMI. Consortium members Project Vida and AYUDA Inc. will serve this population through the rental program, and Habitat for Humanity El Paso through the homeownership program. The collaborative has acquired 42 units. Three properties have been rehabilitated and sold, four properties have been rehabilitated and rented, 12 properties have been rehabilitated (nine are for sale and three are for rent) and the remaining are still being rehabilitated.

**10 percent of funds:** [Program Administration](#).

### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

**El Paso Collaborative for  
Community and Economic  
Development:**

1. We met HUD's first threshold. The deadline to spend half our grant is Feb. 11, 2012, and we finished spending it in Nov. 2011.
2. We are proving that with a concerted team effort among small nonprofits—Project Vida, AYUDA Inc. and Habitat for Humanity El Paso—we can successfully implement a program that many thought was beyond our capacity.

**Dallas Fed:** What have been your biggest challenges?

**El Paso Collaborative for  
Community and Economic  
Development:**

1. Reselling the properties as quickly as first anticipated. The program design requires consistent monthly sales to earn program income once grant funds are depleted.
2. Finding lenders willing to work with veterans and active military members who wish to obtain a loan and use our homebuyer assistance (partial down payment and total closing costs assistance).

**Dallas Fed:** Has NSP helped stabilize neighborhoods in El Paso?

**El Paso Collaborative for  
Community and Economic  
Development:** Yes. We believe that it is because we have clustered our NSP activities. They are in East El Paso, Northeast El Paso and Horizon City.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**El Paso Collaborative for  
Community and Economic  
Development:** Yes. We have been talking with our consortium members and other nonprofits to work together on next steps. In addition, we can continue neighborhood stabilization efforts by focusing homebuyer assistance available through our partnership with United Bank of El Paso Del Norte (an affiliate of the Federal Home Loan Bank of Dallas) in high foreclosure census tracts. We also plan to continue homebuyer assistance programs offered by TDHCA and will continue to request grant funds from the Wells Fargo Housing Foundation to assist low- and moderate-income homebuyers.

**Websites:** [El Paso Collaborative for Community and Economic Development Neighborhood Stabilization Program](#) and [Neighborhood Stabilization Program Resource Exchange](#)



## Chicanos Por La Causa NSP2

### TOTAL FUNDS IN TEXAS: \$10,032,000

Note: The total Texas funds are for the CDC of Brownsville, Affordable Homes of South Texas Inc. (AHSTI) and El Paso Credit Union Service Organization (CUSO). All of the NSP funds in Texas are going toward census tracts in El Paso, Hidalgo and Cameron counties. In addition, some NSP funds from New Mexico-based Tierra Del Sol (\$5.9 million NSP2 budget) are being expended to fund activities in El Paso, Texas.

#### ACTIVITIES:

- 44 percent of funds:** CDC of Brownsville is redeveloping vacant land into approximately 30 single-family housing units. It also is purchasing approximately 14 foreclosed properties, rehabilitating and reselling or renting those units to households with up to 120 percent of AMI.
- 29 percent of funds:** AHSTI is buying approximately 15 foreclosed single-family homes, rehabilitating and selling them. It is redeveloping approximately 25 vacant lots into single-family housing and plans on purchasing approximately 10 foreclosed units from a local land bank for future redevelopment. Note: Under NSP, under a land bank structure, grantees have 10 years to redevelop the land into eligible housing.
- 27 percent of funds:** El Paso CUSO is providing mortgage assistance in the form of first and second liens to 67 families. Some of these financing mechanisms are being used to assist buyers of homes in El Paso. Tierra Del Sol has acquired 35 single-family homes, some of which are in El Paso, and has sold five of these homes.

### Q&A: INSIGHTS FROM THE GRANTEE

**Dallas Fed:** What have been your biggest successes?

- Chicanos Por La Causa:**
1. Spending our NSP funds ahead of HUD's deadlines.
  2. Working with great nonprofits—they are all high-capacity and knowledgeable organizations that are using NSP to further the impactful work they do in their respective markets.

**Dallas Fed:** What have been your biggest challenges?

- Chicanos Por La Causa:**
1. We administer our NSP2 for 13 nonprofit organizations across eight states and Washington, D.C. Doing so can be challenging. For example, our members have purchased properties with their grant monies. They use their grant dollars to purchase, rehabilitate and sell properties to income-qualified individuals and households. Income generated from the sale of these properties is called "program income." HUD NSP regulations call for grantees to expend any program income generated from the sale of properties, rental revenue or any other form of income before any additional draws from the grantees' line of credit (the NSP grant) can be made. Therefore, tracking grant funds can become complicated, especially among so many grantees, as you have to keep track of all income before approving disbursements of funds from the NSP grant to other members to fund their NSP expenditures.
  2. As the administrator, we have to ensure that all grant requirements are met. One such requirement is that all properties purchased are environmentally approved by HUD, and it can be a lengthy process.
  3. One of the biggest challenges early on in the program was overcoming the competition from investors for real estate owned (REO) properties. NSP requires that grantees purchase these properties at a minimum of a 1 percent discount, which made it challenging competing in the open market with investors. Many banks now provide "first look" periods to allow only owner occupants, nonprofits and units of local government (city, county or state) to bid for property during that period. This process has made it much easier to compete for REO properties.



**Dallas Fed:** Have you been engaging financial institutions or servicers in undertaking your NSP?

**Chicanos Por La Causa:** Yes. We buy REO property from many banks, Fannie Mae and the National Community Stabilization Trust. We also work closely with financial institutions to identify mortgage products that can assist buyers of our NSP properties.

**Dallas Fed:** Has NSP helped stabilize neighborhoods in your target market?

**Chicanos Por La Causa:** It is difficult to quantify that, as we are still in our second year of a three-year program. However, now that we have sold approximately 70 properties across our consortium, we have seen, on average, approximately a 15 percent increase in the resale value of the REO properties. That appreciated value is the market value we are reselling the rehabilitated property for versus the value at which we purchased that property as an REO.

It is obvious, however, that in many areas where we have purchased abandoned and foreclosed properties, rehabilitated those properties and sold them, we are having a positive neighborhood effect. We are taking abandoned (in some cases dilapidated) property that is certainly not providing a positive benefit to that community and putting back on the market a rehabilitated property with an owner occupant.

**Dallas Fed:** Do you have a strategy to continue neighborhood stabilization efforts after NSP ends?

**Chicanos Por La Causa:** Absolutely! Our plan is to maximize the grant's benefits by leveraging program income (PI) after the grant's expiration. We plan on achieving this by leveraging the PI not only with other third-party funds but also with NSP3 funds and, hopefully, other future HUD funding opportunities.

Additionally, part of our plan is to land bank property. The land bank allows our grantees to redevelop these properties over 10 years. We will work to leverage funds over the next five to eight years to fund redevelopment projects for the properties held in our land bank.

**Dallas Fed:** What lessons learned would you like to share?

**Chicanos Por La Causa:** 1. When creating a coalition of this size, consider using developer agreements with nonprofit partners rather than grantee or subrecipient agreements. Developer agreements, in some cases, provide greater flexibility and fewer restrictions in meeting grant requirements.

2. It is important to leverage overall purchases in order to maximize potential discounts. For example, consideration should be made to achieve economies of scale by purchasing properties in bulk from national banks and other REO suppliers to get properties at lower prices. Bulk sales help us not only to achieve greater economies of scale but also to be more impactful because we can sell and rent more properties to low-income households.

3. Create flexibility with your plans because the real estate market varies dramatically across markets. The market also turns quickly, so flexibility in your plan allows you to react quickly to the individual needs of each community.

**Websites:** [Chicanos Por La Causa Neighborhood Stabilization Program Round II](#) and [Neighborhood Stabilization Program Resource Exchange](#)



## Informational Resources

The following list of resources is a starting point to learn more about the Neighborhood Stabilization Program and other neighborhood stabilization efforts.

- The American Recovery and Reinvestment Act of 2009: [www.recovery.gov](http://www.recovery.gov)
- Center for Housing Policy's NSP Resource Center: [www.foreclosure-response.org/nsp.html](http://www.foreclosure-response.org/nsp.html)
- National Housing Conference (NHC) Open House Blog: Brainstorming Bright Ideas for the Future: [www.nhcopenhouse.org/2008/08/foreclosure-prevention-and-neighborhood\\_08.html](http://www.nhcopenhouse.org/2008/08/foreclosure-prevention-and-neighborhood_08.html)
- U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program Grants: [www.hud.gov/nsp](http://www.hud.gov/nsp)
- U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program Resource Exchange: [www.hudnsphelp.info](http://www.hudnsphelp.info)
- U.S. Department of Housing and Urban Development's Office of Policy Development and Research's HUD USER, a Clearinghouse for Housing, Sustainable Communities, and Community Development Research & Data: [www.huduser.org/](http://www.huduser.org/)



# Neighborhood Stabilization Program

## Snapshots of NSP Activities in Texas



# Map of Cities and Counties that Received NSP Funds

NSP funds went to the most heavily populated areas of the state.

