

**Michigan State Housing Development Authority (MSHDA)
Neighborhood Stabilization Program (NSP)
2009 Notice of Funding Availability (NOFA)**

Background:

In mid-summer, Congress passed the Housing and Economic Recovery Act (HERA), which included a number of housing stimulus provisions. One of these, Title III, has come to be known as the Neighborhood Stabilization Program (NSP). Under NSP, the Congress appropriated \$3.92 billion to address foreclosed and abandoned housing that is having a detrimental effect on neighborhoods. Through a Congressionally-mandated formula, HUD has allocated \$263.5 million to the state of Michigan, including \$98.6 million to the state of Michigan (to be managed by MSHDA), with the balance being directly allocated to 22 NSP-entitlement cities.

MSHDA submitted an NSP Action Plan (in the form of a “substantial amendment” to the Consolidated Plan) to HUD on November 26, 2008; with revisions submitted February 2, 2009. All NSP funds must be committed (i.e., under binding contract for expenditure on specific addresses) within 18 months of the grant award, which means by September 2010.

Eligible Applicants

- 1) Nonprofit corporations with 501(c)(3) status;
- 2) For-profit corporations in collaboration with a local units of government for the redevelopment for resale of single family foreclosed housing;
- 3) Non-NSP Entitled Local Units of Government;
- 4) Land Bank Fast Track Authorities organized under the Land Bank Fast Track Act

Eligible Areas

The Michigan NSP Plan identifies “Qualified NSP Investment Area” within the state. These qualified areas are census block groups in the State of Michigan with a HUD determined foreclosure/abandonment risk score of 6-10. A dataset of the HUD risk scores by census block group is provided on the MSHDA Website on the NSP page.

In addition, HUD provides a mapping tool on its Website through Policy Map. The tool is at

<http://www.policymap.com/map>

An applicant can input any address in Michigan and identify its HUD risk score or its eligibility as a Low-Moderate-Medium Income (LMMI) neighborhood as defined by NSP. **NOTE: If a proposed NSP project is not residential; it must be in a LMMI neighborhood.**

Eligible Uses

This NOFA is restricted to the competitive funding identified in the State of Michigan NSP Plan (see attached chart). The eligible end use is limited to:

1. Acquisition and rehabilitation of foreclosed or abandoned single family homes for resale to home owners (all eligible applicants);
2. Demolition of blighted structures for future redevelopment (land banks only);

3. Demolition of blighted structures for green space or **immediate** redevelopment (all eligible applicants);
4. Redevelopment of demolished or vacant properties for single family owner occupied housing (all eligible applicants);
5. Redevelopment of demolished or vacant properties for public facilities or public services (land banks, local units of government, and nonprofit applicants).

Eligible uses identified on the attached chart may, under certain circumstances, be combined to get to an eligible end use. If Eligible Uses are combined, the most restrictive requirements apply. As an example, an applicant could propose to purchase an abandoned, blighted structure under Eligible Use B, demolish the blighted structure under Eligible Use D and redevelop the vacant property into a single family owner occupied house under eligible use E.

Threshold Criteria

All NSP funded projects must meet threshold criteria to assure compliance with the Michigan NSP Action Plan and HUD regulations. These threshold criteria include, but will not be limited to, the following, to which applicants must certify:

1. Qualified NSP Investment Areas. All NSP assisted projects will be in a qualified NSP census block group, as described above. To the extent known at the time of application, these project addresses will be identified in the application. If not known, eligible census block groups will be identified.
2. Income-eligible households. All households residing in NSP assisted properties will have incomes at or below 120 percent of area median income, adjusted for family size (AMI) as published by HUD.
3. Very low income households. All projects serving households at or below 50 percent of AMI and counting toward the 25 percent very low income set-aside, will be housed in units which were abandoned or foreclosed upon homes or residential properties.
4. Purchase at a discount. All abandoned and foreclosed upon homes purchased with NSP funds will be purchased at a 15 percent discount rate.
5. Federal Compliance Assurances. As a pre-disbursement condition, approved applicants will be further required to demonstrate compliance with key related federal regulations, including (a) demonstrated capacity to manage federal funds, as evidenced by an updated MSHDA Office of Community Development Partnership Profile (including most recent audited financial statements and operating budget, and auditor's certification) or equivalent documentation, (b) fair housing, (c) access to contractors trained in lead-safe work practices (if applicable), (d) capacity to assure compliance with Davis-Bacon and Related Acts (if applicable), etc.

Scoring Criteria, Preferences and Ranking

MSHDA expects to evaluate proposals submitted in the competitive funding round (MSHDA may make some adjustments to criteria and/or points per criterion.) as follows:

1. Cost Cost-effective projects: up to 30 points.

Cost-effectiveness will be evaluated based on incomes to be served (projects to serve lower income households are expected to have increased subsidy costs), quality and extent of rehab, and additional resources leveraged from sources outside Michigan state government. MSHDA will not award additional points for estimates of leverage from buyers' mortgage proceeds that are deemed overly optimistic in the current market.

2. Desired Results: Up to 40 points

Points will be awarded based on the extent to which the activities may be expected to have positive impact on overall neighborhood stabilization, including any of the following:

- Reduction of the negative impact on property owners of depressed housing values resulting from a high incidence of foreclosure in a given market
- Reduction of the negative impact of blighted property on housing units in the immediate neighborhood
- Coordination with other non-NSP funded neighborhood revitalization activities intended to have a lasting impact on neighborhood sustainability
- Alignment of projects in target areas with previous investment by MSHDA, other state funders, and local governments

MSHDA expects successful applications to address one or more of the following areas: Specifically, the potential of the funded intervention to address the detrimental conditions posed by the presence of foreclosed, abandoned, vacant or blighted property by:

- Improving the balance in the local housing market between supply and demand (e.g., by reducing oversupply and/or increasing demand)
- Improving public perceptions of neighborhood conditions by creating an environment more conducive to investment by property owners
- Addressing an appropriate number of eligible properties for the extent of the defined target area

Other Impact Factors

- Energy Conservation Measures/Green Building
- Coordination with Workforce Development programs
- Readiness to Proceed

3. Appropriateness of activities for local capacity: up to 30 points.

Points will be awarded for (a) previous successful experience administering HOME or CDBG-funded housing projects (prior monitoring findings and/or the extent of uncommitted or unexpended MSHDA funding in grants that are still within a grant term will be taken into account) or (b) experience administering and delivering the specific activities for which NSP funds will be used.

Good standing on current MSHDA funded activities will be considered.

Submission Requirements

- The application must be submitted on the NSP Application located at www.michigan.gov/mshda on the NSP page.

- The original along with 5 copies of the signed application and all supporting documents must be mailed or dropped off to:
Michigan State Housing Development Authority
Attn: Shawne Haddad
735 E. Michigan Avenue
Lansing, MI 48912
- As an alternative, the original along with 5 copies of the signed application and all supporting documents may also be dropped off at our Detroit office:
Michigan State Housing Development Authority
Attn: Southeast Michigan Team
Cadillac Place
3028 W. Grand Blvd., Suite 4-600
Detroit, MI 48202
- The application must be received on or before April 23, 2009 by 5:00 p.m., no exceptions.

Additional application information may be requested.

Contact MSHDA's Community Development Specialist identified for the area in which you are proposing an NSP project.

**Eligible Activities
NSP Competitive Proposals
March 2009**

	Eligible Uses	Foreclosed SF Homes	Abandoned SF Homes	Blighted Structures	Other Vacant Properties	End use
A	Financing Mechanisms	Yes- only Direct Homeownership Assistance (DPA loan)	No	No	N/A	Owner-occupied housing
B	Purchase & Rehab	Yes	Yes	Yes, if foreclosed or abandoned	N/A	Owner-occupied housing
C	Land Banks	Yes	No (only foreclosed)	Yes, only if foreclosed	No	Future redevelopment
D	Demolition	Yes, if blighted	Yes, if blighted	Yes	Yes, if blighted	Green space or immediate redevelopment**
E	Redevelopment	Yes, if vacant*	Yes, if vacant*	Yes if vacant*	Yes	Immediate redevelopment for owner-occupied SF or public facilities and services**

*Applies only if project involves a blighted unit to be demolished under D.

**Must be in an LMMI neighborhood if end use is not residential; may be for future redevelopment if held by a land bank

Definitions

NSP Notice Definition: Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

NSP Notice Definition: Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. (further defined in the Michigan NSP Plan).

NSP Notice Definition: Foreclosed. A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Public Facilities and Services. Public facilities and services will be considered for funding based on the extent to which they are oriented to providing services for the immediate neighborhood as a primary market or constituency.

SF Homes: 1-4 units, but must be owner-occupied, 2-4 units in collaboration with LUG only

Vacant: “Vacant properties” includes both vacant land and properties with vacant structures on the land. However, HUD understands redevelopment to imply that properties were once developed; therefore undeveloped or “greenfield” sites may not be acquired under Eligible Use E.