



Neighborhood Stabilization Program (NSP): A Statewide Snapshot

National Technical Assistance Team: Training and Design Associates (TDA)



By Gladys Schneider

Florida's NSP grantees, subrecipients and developer partners continue the countdown to select foreclosed and abandoned properties for acquisition and rehabilitation, while obligating funds to meet program deadlines. By May, Florida's NSP communities had obligated about \$316 million, or 58.5% of the \$541 million in funds,

100% of which must be obligated by early September 2010. Of this activity, \$148 million or just over 27% of the total allocation has been expended. Some communities, such as Miami Beach are 100% obligated, but for many of the 48 HUD direct and 24 DCA communities, a variety of obstacles have NSP officials concerned. Un-obligated funds are returnable to HUD if not obligated by September and all funds must be fully expended by 2013. The Florida Housing Coalition has been active statewide in providing technical assistance to NSP communities- the following snapshots portray the state of Florida's affordable housing efforts with these critical federal funds.

- The Coalition's Technical Assistance Team has partnered with national provider Training and Design Associates (TDA) to work with several Florida NSP grantees, including West Palm Beach and Hollywood.

On-site assistance has been provided in meeting the 25% low income set-aside and structuring rental programs for single family dwelling units. By May 2010, \$84 million of the statewide allocation had been committed to low income units with another \$50 million of the set-aside remaining unobligated.

- The Coalition participates in the HUD 'Ask A Question' Program as a reviewer. Questions may be submitted to the national learning center at www.hudnshelp.info. This national question and answer forum allows anyone, NSP grantee or citizen, to ask questions of HUD and receive a response in one or two days. The website allows users to search for questions by topic or NSP area, such as program income or procurement. The site also provides state and grantee snapshots, as well as quarterly reports and action plans.
- The Coalition has developed a model lease purchase agreement for Florida and has worked with TDA to develop a Lease Purchase Program with NSP Toolkit for use nationwide and workshops were held in Hollywood and Deltona with a third planned for Tampa. The workshops, which will be repeated again, cover the program requirements of leasing homes to potential buyers, while credit and financial strength are recovered. The lease purchase program is an alternative to homeownership for NSP homes given the current market, employment and lending capital conditions. A session on lease purchase will be held at the Coalition's annual conference.



The Madeleine, 7871 Crespi Blvd, Miami Beach.

- The Coalition will be presenting on a national webinar July 20 through HUD's Learning Center program. The topic of this webinar will be Lease Purchase programs and Rental Housing. To register for this or other events, visit <http://hudnsphelp.info/learning>.

Florida Department of Community Affairs NSP

The Florida Housing Coalition is a Rapid Response Technical Assistance provider for the Florida Department of Community Affairs. As these 24 grantees wind up to obligate and expend funds, a variety of problems have been addressed.

- In St. Johns County, TA Team members helped the non-profit St. Johns Housing Partnership prepare for the possibility of owning and managing NSP acquired rental units. Affordable rents in the local market context were used to create an operating pro forma to estimate management and operating expenses. Developer responsibilities and how to handle program income were part of the training.
- Miami Beach and the Miami Beach CDC have completed their targeted purchase of multifamily properties for rehabilitation as rental housing. The City of Miami Beach has partnered with Miami Beach CDC, an experienced developer and CHDO, and has acquired two multifamily rental properties for low/moderate-income residents in the North and South Beach target neighborhoods of the City of Miami Beach. These projects will include the use of funds that target individuals/families with incomes at or below 50% of AMI, as well as those with incomes up to 120% of AMI; creating a small, mixed-income community. Madeline Apartments is a four building, 16-unit apartment complex. Each of the units will be developed into an efficiency/studio apartment with a bathroom and full kitchen. The total cost of

the project is estimated at \$2,129,283.00. Neptune Apartments is a three story 35-unit building that was approximately 95% complete at the time of foreclosure by the previous developer. It was renovated and rehabilitated to meet current building codes. In addition to NSP funds of \$4,679,227, this project will combine HOME funds and private financing for a total estimated project cost of \$5,329,226.77.

Bank of America Foundation Support

The Coalition has undertaken an exciting neighborhoods project working with the Shimberg Center for Affordable Housing. Through grants from the Bank of America Foundation, this combined effort will develop data and tools to document the benefits of homeownership opportunities in neighborhoods that have become destabilized due to the high incidence of foreclosures. The first case study will be the Coleman Park neighborhood in West Palm Beach. As the city works to acquire properties that will become owner occupied, the other areas of support such as community reinvestment, public safety, code enforcement and citizen participation will be supported to reverse decline and create sustainable and healthy neighborhoods. A second pilot will be located in Sarasota.

Fannie Mae, Freddie Mac, and FHLB Atlanta Supported Projects

Fannie Mae, Freddie Mac, and the Federal Home Loan Bank Atlanta have sponsored the Coalition's on- and off-site technical assistance for NSP communities. The Coalition has engaged in a variety of activities to guide NSP communities with the overall goal of reducing the inventory of Florida's abandoned and foreclosed properties.

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- In Escambia County, a unique situation arose when BRACE, a nonprofit organization, acquired a foreclosed manufactured home community known as Heritage Oaks. NSP funds will be used in the rehabilitation of these units, of which a portion will be used as the low income set-aside. The units will be available for rent or sale to new residents. The Coalition has long recognized the special role of mobile home parks in providing affordable housing and has participated in preservation initiatives throughout Florida.
- In Lake Worth, the Coalition is assisting the Lake Worth CRA NSP2 project as it mobilizes to acquire 130 foreclosed properties. This project is unique in that the homes will be included in a community land trust to further the permanence of affordability as well as stabilization. This innovative consortium has 21 members including Adopt-a-Family and Habitat for Humanity working together to buy, rehab, rent, resell or land bank these properties. To learn more, visit www.lakeworthcra.org.
- The platted community of Port St. Lucie, one of Florida's hardest hit communities, has nearly obligated all of its NSP funds. Not only are homes being purchased for rehab and resale, but demolition and land banking are active components of the program.

Register for the 23rd Annual Affordable Housing Conference: "Next Stop on the Route to Recovery" in Orlando on September 20 – 22, 2010 for the NSP Track, From Obligation to Stabilization: NSP 2010 and the second annual NSP Roundtable.

For any variety of technical assistance in the Neighborhood Stabilization Program, contact the Coalition at 850-878-4219 or email info@fl-housing.org. We can work with you on or off site. Visit our website www.flhousing.org and select NSP for resources and information. HNN

Homeownership is often, but not always, the Path to Prosperity

Will There be Enough Money at the End of the Month?

Lenders determine the mortgage amount a family can qualify for based on front and back ratios. The front ratio is the percent of gross monthly income that a family can afford to spend on principal, interest, taxes and insurance (PITI). Generally speaking, front ratios don't exceed 31 percent of a family's gross monthly income. Back ratios are the percent of a family's income that can be used for PITI plus any debt that is going to last longer than a year. Generally speaking, this number cannot exceed 42 percent of a family's gross monthly income.

Let's consider a family earning \$2,000 per month, or \$24,000 per year. This is about 40 percent of median income in many communities. With \$240 per month in long-term debt, this family can qualify for approximately an \$80,000 mortgage (2 percent down payment, 6% rate, 30-year term). PITI for this loan will be \$573 per month. Assuming the family's net income is closer to \$1,800 per month this leaves just \$1,227 per month to meet all other expenses. Take out the \$240 per month in long-term debt and this leaves under \$1,000 per month for all other expenses. On less than \$1,000 per month it is very difficult for this family to meet its monthly expenses over and above housing and debt, much less save for ongoing maintenance and long-term repairs.

Let's compare the \$2,000 per month family to a family earning \$5,000 per month or \$60,000 per year. Using the same terms as above but with \$600 per month in long-term debt, this family could qualify for approximately a \$186,000 mortgage, or a \$1,450 monthly payment for PITI. If that \$5,000 gross income per month is closer to \$4,200 net, this still leaves this household with \$2,771 for other expenses. Subtract the \$600 per month in long-term debt and they still have over \$2,100 per month for all of their other expenses. Even though they are paying the same percentage of monthly income for housing costs, the higher earning family will have a better ability to meet their monthly expenses and save for ongoing maintenance and future repairs.

There are many benefits of homeownership. There are also many costs. As a family's income increases, its ability to take advantage of the financial incentives and wealth building aspects of homeownership also increases. Very low and even some low income families are often better off remaining as renters until their income starts to increase, or their expenses start to drop. For this reason policymakers need to focus on the importance of providing quality affordable rental housing in addition to initiatives that expand the home ownership rate. HNN

References: Rohe, et al. "The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research". Joint Center for Housing Studies Harvard University. October 2001.