

# RECOVERING FROM CRISIS

## A REVIEW OF THE NEIGHBORHOOD STABILIZATION PROGRAM IN FLORIDA'S ECONOMIC RECOVERY



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## Executive Summary

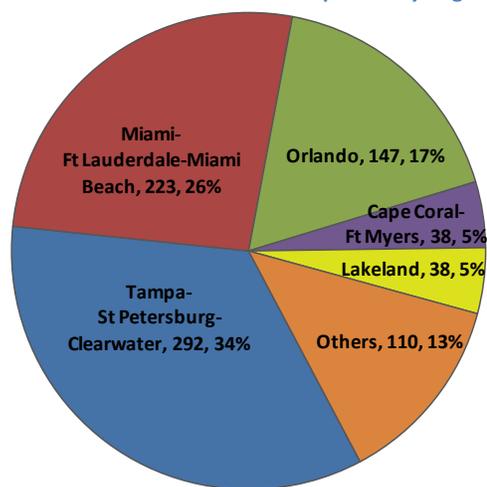
### Background

In response to the State and national economic crisis, Miami Workers Center, Florida New Majority and allied organizations initiated the 'Build a Fair Florida' campaign. This campaign recognizes the need to build a more equitable and sustainable democratic structure and began with a call for the implementation of The American Recovery and Reinvestment Act to be an equitable, transparent, and accountable process. Following the initiation of this campaign, researchers were commissioned to show how the opportunity landscape in Florida was uneven before the recession, and why ARRA investments should be targeted towards making quality-of-life opportunities accessible to all communities. Most recently, a study of ARRA jobs and contract procurement revealed that recovery investments and employment opportunities have continued to flow in ways that neglect communities of color despite the goals of the Neighborhood Stabilization Program (NSP).

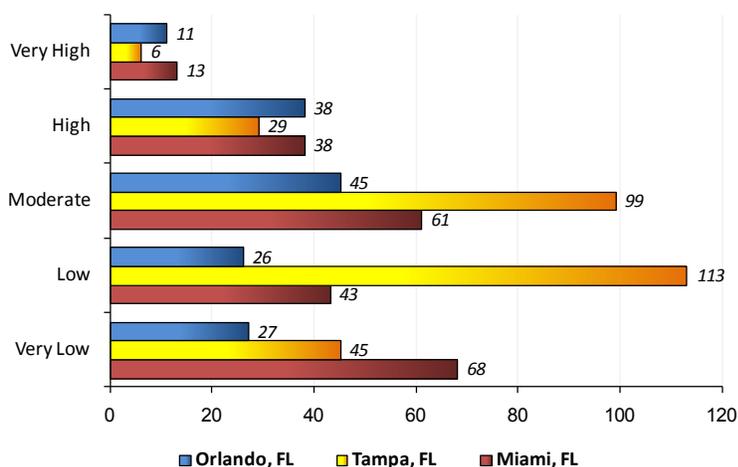
### Findings

Florida received a total of \$541.4 million of NSP1 funding, which went to a total of 49 recipients across the State.<sup>i</sup> The State also received a total of \$348.3 million of NSP2 funding, which has been awarded to 7 different communities and consortiums. To date, 53.5% of Florida's NSP1 funds have been committed, while only 22.3% has been expended. While these totals vary from one local government to another, *all funds must be committed by September of this year, and expended by March of 2013, or will otherwise be returned to the U.S. Treasury.* Furthermore, the remaining NSP set-asides, which must benefit low-income households,<sup>ii</sup> (43.3%, or \$58.6 million, of the \$135.4 million) still need to be committed by September 2010 in order to avoid being forfeited. As of the most recent quarterly reporting, 876

**Chart 1. Share of Florida NSP Properties by Region**



**Chart 2. Number of NSP Properties per Region by Opportunity Access**



properties have been purchased across the State using NSP1 funds. Most of these properties (87%) have been acquired for rehabilitation.<sup>iii</sup> The location of these purchased properties have been primarily in moderate and low opportunity areas, reflecting the intention and design of the program to target the communities that have been most devastated by foreclosure and abandonment. However, while most properties that have been purchased through NSP are located in moderate and low opportunity areas, there have been a number of properties purchased in high opportunity areas as well.

The Tampa region has led the way in terms of acquiring properties. In fact, Pasco County has acquired more than 200 homes making the county No. 2 in the nation (behind Riverside, Calif.) in spending NSP funds. Three major components to Pasco's success in using NSP1 funds are: partnering with nonprofit groups; a newer housing stock built in the 1970s-era which reduces lead-paint treatments and reviews by historic preservation experts; and

remodeling versus demolition.<sup>iv</sup> Such gains in terms of acquired properties reflect the successful implementation strategies of Pasco County and their non-profit partners; strategies which should be used by other communities in order to dispense funds ahead of the September deadline.

While NSP primarily targeted foreclosures, NSP was also designed with job creation in mind. Section 3 hiring requirements pertain to the contracting and sub-contracting work associated with acquiring, demolishing, rehabilitating, new construction, and selling NSP properties.<sup>v</sup> However, although these regulations are relevant to both NSP1 and NSP2, a Freedom of Information Act (FOIA) request for NSP1 employment information has yet to be fulfilled, thereby leaving conclusions about the actual employment impact of NSP to be speculative at this point. Despite this, interviews with local NSP recipients suggest that the program has generated jobs and has had a positive impact on an otherwise struggling construction industry in Florida.

### **Recommendations**

Given the varying degrees of success in leveraging funding in communities throughout Florida, findings from the study indicate that there are areas which may be improved for NSP2. The following is a set of recommendations that reflects the issues that emerged:

#### *Program Design*

- Job creation for local communities should be incorporated into the design and purpose of the program. Rather than simply being a spillover effect of program implementation, ensuring that members of hard-hit communities are able to obtain quality jobs on NSP projects should become a distinctive of the program.

#### *Implementation*

- Communities that are struggling to commit remaining NSP1 funds should put out a public request for proposal for how the funds should be allocated quickly, effectively, and equitably.
- Investments should be leveraged wherever possible. Learning from the example of Pasco County and Neighborhood Lending Partners of West Florida, public and private recipients of public funding should build the necessary partnerships and initiatives to effectively put these investments to work for their communities.

#### *Administration and Governing Structure*

- Close the communication gap between local government and HUD headquarters. This will help avoid miscommunication about how programs are to be implemented, and will allow for local knowledge to help shape successful policy at the highest level.
- Lift up other forms of targeted investment across the Federal and State levels. Building on the success of the NSP to reach the communities that have been most impacted by foreclosure and neighborhood crisis, more departments and programs should be modeled after the spirit of equity exemplified in the NSP.

To date, NSP1 funds have been awarded and are having varying degrees of impact and success in communities across the country. As for NSP2, the program is only now beginning to get underway and time will tell if it can positively build upon the efforts of the first version. Despite the fact that Florida has not yet realized the full benefit of these investments, given that these programs focus on areas of greatest need, the NSP should become a model for other forms of public investment in order to build a more equitable future for all of Florida.

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<sup>i</sup> [Florida NSP1 Snapshot](#), US Department of Housing and Urban Development (HUD), April 2010.

<sup>ii</sup> As part of the NSP1 design in HERA, 25% of the total funding must benefit households with incomes at or below 50% of the median household income.

<sup>iii</sup> Due to inconsistent reporting practices, it is unclear how many of these units are single-family and how many are multi-family, however, based on the properties for which it is specified, it is clear that most of the funds have been used on single-family units so far.

<sup>iv</sup> [The Suncoast News- Pasco County](#)

<sup>v</sup> See the HUD NSP Section 3 guidelines in the appendix of this report.



## Introduction

The 'Build a Fair Florida' campaign has been unfolding over the past year as an effort to ensure that in response to the State and national economic crisis, Florida recognizes the need to build a more equitable and sustainable democratic structure, and that the investments of the *American Recovery and Reinvestment Act (ARRA)* be used to rebuild the communities that have been impacted the most by the recession and decades of marginalization. The campaign began with a call for the implementation of ARRA to be an equitable, transparent, and accountable process. This call was followed by work that showed how the opportunity landscape in Florida was uneven before the recession, and why ARRA investments should be targeted towards making quality-of-life opportunities accessible to all communities. Most recently, a study of ARRA jobs and contract procurement revealed that in the absence of systemic reform, recovery investments and employment opportunities have continued to flow in ways that leave communities of color neglected.

One of the most significant aspects of the recent recession is the impact of the subprime and foreclosure crisis on local housing markets across the country. Many of the hardest hit areas in the country are in Florida, which has had the second highest foreclosure rate in the country.<sup>1</sup> The cost of this crisis has been immense, resulting in millions of dollars worth of wealth stripped from Black and Latino communities, as well as an overheated rental market which makes it even more challenging for families to find good, affordable housing. Because subprime lending and foreclosure have played such a devastating role during this recession, and because they have disproportionately impacted Florida's communities of color, this phase of the campaign's research focuses particularly on a Federal program that was designed to counteract these effects- the Neighborhood Stabilization Program (NSP).

The following report represents two months of comprehensive research about how the Neighborhood Stabilization Program has been implemented in Florida's communities so far, and identifies the challenges and best practices associated with the program's design and implementation. The multi-faceted approach to this review is presented in six sections. The first section provides a brief overview and background on when and how the NSP came into law, including details about its guidelines and how it evolved as a program. Section two presents findings from the quantitative analysis, which includes maps that display the location of NSP properties in relation to race, poverty, and access to opportunity. This section also outlines the challenges associated with upcoming program deadlines. The third section reveals resident and neighborhood level impacts of the NSP, and addresses concerns about how the program is creating jobs. The fourth section contains findings from interviews with NSP1 and NSP2 recipients, and the fifth section is a compilation of findings from a State and national media scan about the challenges of and best practices for implementation of the NSP. The final section brings the findings of the research into a set of recommendations about how the NSP could be improved as it moves forward, and about what local leaders and lawmakers in Florida should do in order to build a more opportunity-rich network of affordable housing options.

## I. What is The Neighborhood Stabilization Program? A Background and Overview

On July 30, 2008, with the country in the midst of a subprime mortgage crisis and rising foreclosure rates nationwide, President Bush signed the Housing and Economic Recovery Act of 2008 (HERA), which took effect on October 1, 2008.<sup>2</sup> HERA was intended to stabilize the housing market by providing \$300 billion to address the subprime crisis by sustaining the Government Sponsored Enterprises, Fannie Mae and Freddie Mac. Furthermore, the legislation targeted foreclosure prevention, authorizing \$3.92 billion for the Neighborhood Stabilization Program (NSP).<sup>3</sup>

The Neighborhood Stabilization Program, a component of the Community Development Block Grant Program, was established to stabilize communities that have suffered from foreclosures and abandonment. Referring to funds authorized under Division B, Title III of the Housing and Economic Recovery Act of 2008, NSP1 provided grants to all states and selected local governments to be used for the purchase and redevelopment of abandoned or foreclosed properties to stabilize communities hit hardest by foreclosures.<sup>4</sup> NSP1 grantees were selected on the basis of “statutory objectives and a greatest need formula” developed by HUD.<sup>5</sup>

HUD awarded funds to a total of 309 grantees, including 55 states and territories and 254 selected local governments. In total, each of the 50 states and Puerto Rico received a minimum award of \$19.6 million. The grantees who were selected to receive additional funds on the basis of greatest need factors, including highest rate of foreclosures, subprime mortgages, and abandoned homes, received awards with a minimum threshold of approximately \$2 million.<sup>6</sup>

All NSP1 recipients were required to follow certain guidelines. First, all funds were to be obligated within 18 months from the time HUD signed the grant agreements, and spent within four years. Furthermore, NSP1 funds could be used for any of the five eligible uses, including financing mechanisms, the purchase and rehabilitation of abandoned or foreclosed homes, land banks, the demolition of blighted structures, and the redevelopment of demolished or vacant properties.<sup>7</sup> In addition, up to 10 percent of fund allocations could be used for administrative and planning costs. A final requirement of the program was that all grantees were to report on their projects and spending using the Disaster Recovery Grant Reporting system. The data would then be used by HUD to review programs funded under NSP and to create quarterly reports.<sup>8</sup>

A year and a half after the implementation of NSP1, foreclosed and abandoned properties remained a problem in many communities across the United States. Looking to jumpstart the economy and address foreclosures, President Obama signed the American Recovery and Reinvestment Act (ARRA), on February 17, 2009.<sup>9</sup> The Act had three immediate goals: to create new jobs and save existing ones, spur economic activity and invest in long-term growth, and foster unprecedented levels of accountability and transparency in government spending.<sup>10</sup> To achieve these goals, ARRA provided \$288 billion in tax cuts for millions of working families and businesses; increased federal funds for education and health care and entitlement programs by \$224 billion; made \$275 billion available for federal contracts, grants, and loans; and required recipients of funds to report quarterly on how the funds are being used. Furthermore, Title XII Division A of the American Recovery and Reinvestment Act of 2009 allocated an additional \$1.93 billion for the Neighborhood Stabilization Program “to stabilize neighborhoods whose

viability has been and continues to be damaged by the economic effects of properties that have been foreclosed upon and abandoned.”<sup>11</sup> This became known as NSP2.

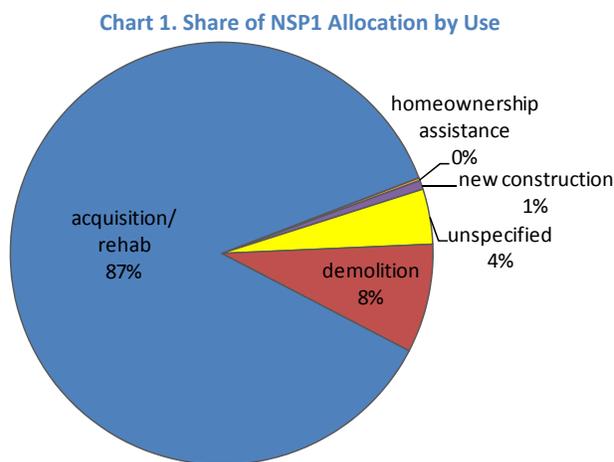
Unlike NSP1, which allocated funds to state and local governments only, NSP2 grants were also awarded to nonprofits and consortiums of public and/or private nonprofit entities. The grantees included 33 consortiums at a regional level and four national consortiums carrying out activities in target areas throughout the country.<sup>12</sup> Whereas NSP1 funds were awarded on a formula basis, NSP2 grantees were selected on a competitive basis. In allocating awards, various factors were taken into account, including the foreclosure needs in selected target areas, recent past experience, and program design and compliance with NSP2 rules.<sup>13</sup> NSP2 recipients were also given different timelines in which the funds had to be spent—fifty percent of funds had to be expended within two years of receipt; 100 percent within three years.<sup>14</sup>

Both NSP1 and NSP2 were designed to stabilize neighborhoods reeling from the subprime crisis and economic downturn. To date, NSP1 funds have been awarded and are having varying degrees of impact and success in communities across the country. As for NSP2, the program is only now beginning to get underway, and time will tell if it can positively build upon the efforts of the first version.

## II. Where’s the Money? A Summary of Program Results in Florida

As part of HERA, Florida received a total of \$541.4 million of NSP1 funding, which went to a total of 49 recipients across the State.<sup>15</sup> **Map 1** shows the distribution of NSP awards across the State. So far, 53.5% of Florida’s NSP1 funds have been committed, while only 22.3% has been expended. While these totals vary from one local government to another, the significance of this is that *all funds must be committed by September of 2010, and expended by March of 2013, or will otherwise be returned to the U.S. Treasury.* Furthermore, the remaining set-asides for low-income households also need to be committed by September 2010. As part of the NSP1 design in HERA, 25% of the total funding must benefit households with incomes at or below 50% of the median household income. This means that \$58.6 million of the \$135.4 million that has been set aside to benefit low-income individuals still needs to be allocated in order to avoid being forfeited. A list of Florida’s NSP1 recipients, including a summary of their use of funds as of April 2010, is included in the appendix of this report.

Although the budgeted funds and regulations surrounding their use are of obvious importance to the successful implementation of the program, the tangible results for impacted communities come in the form of quality affordable housing, stabilized neighborhoods, and access to the jobs associated with program implementation. As of the most recent quarterly reporting, 876 properties have been purchased across the State using NSP1 funds. Most of these properties (87%) have been acquired for rehabilitation,<sup>16</sup> as **Chart 1**

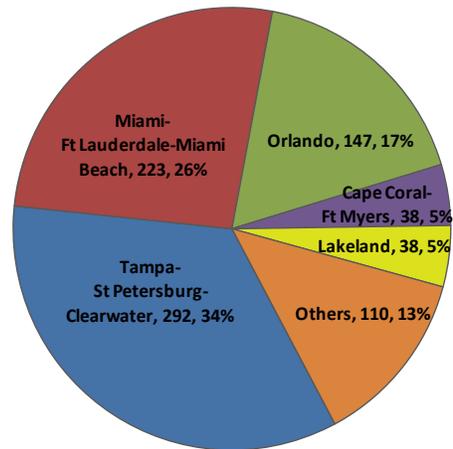


Source: NSP Quarterly reports to HUD

represents. These include both single family and multifamily homes for end use by owners and renters. **Map 2** shows the location of the properties that have been documented by recipients in the NSP1 quarterly reports as of March 31, 2010.

In addition to the number of properties purchased, the location of these properties is also of significance. Using the opportunity mapping work that was done earlier in the Build A Fair Florida campaign, the addresses of each of the reported NSP1 properties were located in relationship to their access to educational, economic and mobility, and housing and neighborhood opportunities.<sup>17</sup> **Maps 3-5** show the location of these properties in relation to these opportunities within the Miami, Orlando, and Tampa regions.<sup>18</sup> **Chart 2** portrays the share of the State’s properties in each metropolitan statistical area (MSA), while **Chart 3** represents the number of properties in three of these regions in terms of opportunity.

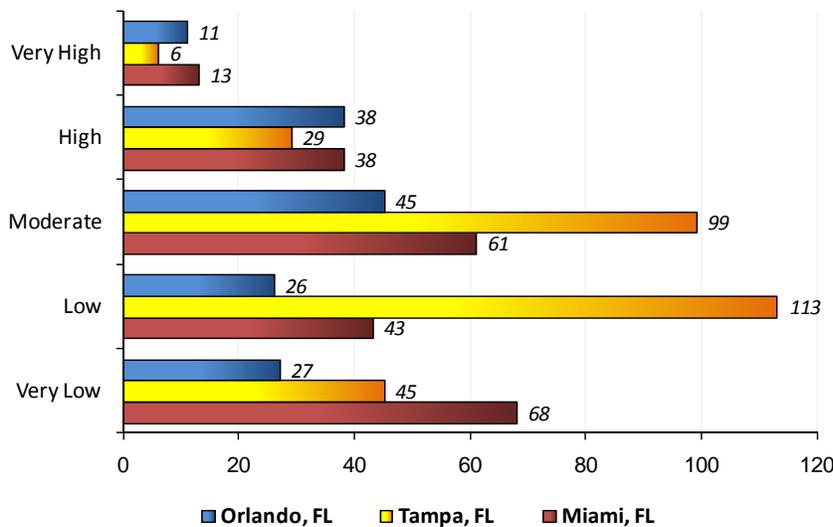
**Chart 2. NSP Properties by MSA**



Sources: NSP Quarterly Reports to HUD

The moderate and low opportunity areas have received the majority of the investment so far, reflecting the intention and design of the program to target the communities that have been most devastated by foreclosure and abandonment. However, what the opportunity maps and **Chart 3** also show is that while most properties that have been purchased through NSP are located in moderate and low opportunity areas, there have been a number of properties purchased in high opportunity areas as well. This demonstrates the flexible nature of the program, and that it can be used as a way to reinvest in hard-hit areas, as well as to provide access to better housing, educational, and employment opportunities for members of

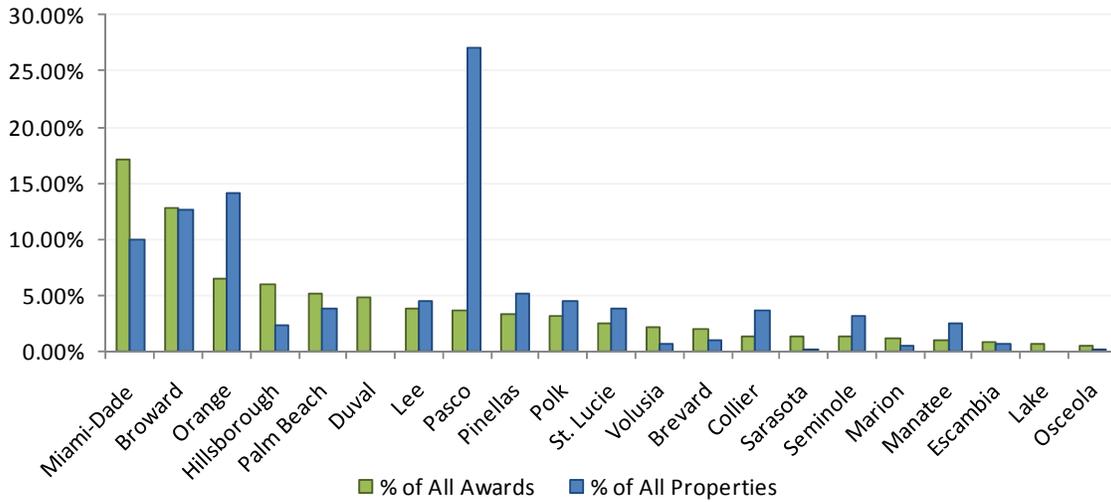
**Chart 3. NSP Properties and Access to Opportunity by Region**



Sources: NSP Quarterly Reports to HUD, Kirwan Institute Opportunity Mapping

marginalized communities. The chart also shows how the Tampa region has led the way in terms of acquiring properties, something which the interviews with NSP recipients helped to explain. **Chart 4** (next page) identifies the counties that have had the most success, in terms of acquiring properties, as it represents for each county the share of the State’s total NSP1 investment, as well as the share of all properties listed in the local quarterly reports to HUD.

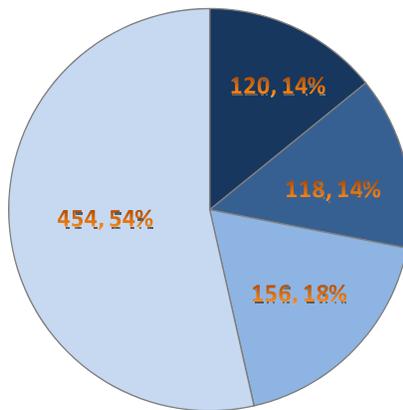
**Chart 2. Share of State NSP1 Resources and Properties by County**



Source: U.S. Department of Housing and Urban Development (HUD), Local NSP Quarterly Reports to HUD

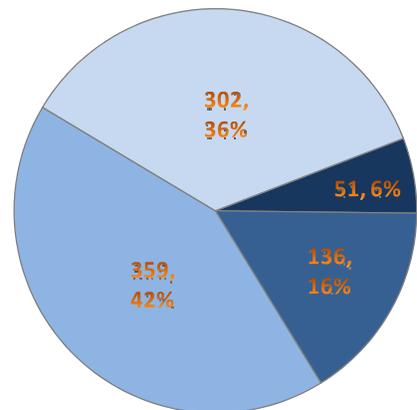
**Maps 6-9** illustrate the distribution of NSP1 properties in relationship to the non-White population, and reiterate the finding that program investments are making their way into traditionally marginalized communities. Analysis shows (**Chart 5**) that 394 properties, or 46% of the properties purchased so far, are located in areas with moderate to very high non-White populations.<sup>1</sup> **Maps 10-13** show the distribution of these properties in relationship to local poverty rates, and again show that while investment has been spread across several areas of the State, communities in poverty are receiving public investment from the program. An analysis of this data reveals that 546 properties (64%) are in areas with moderate to high levels of poverty (see **Chart 6**). These maps and charts reflect the intent of the program, to stabilize communities that have been hard-hit by the foreclosure crisis. Another round of awards is designed to continue these efforts, as the State has received a total of \$348.3 million of NSP2 funding from The Recovery Act, which has been awarded to 7 different communities and consortiums.<sup>19</sup> Data and reports about the results of NSP2 will become available in coming months.

**Chart 5. NSP Properties and Race**



- Very High (more than 75% non-white)
- High (50%-74% non-white)
- Moderate (25%-49% non-white)
- Low (Less than 25% non-white)

**Chart 6. NSP Properties and Poverty**



- Concentrated (40% or more in poverty)
- High (20%-39% in poverty)
- Moderate (10%-19% in poverty)
- Low (Less than 10% in poverty)

Sources: NSP Quarterly Reports to HUD, U.S. Census Bureau

<sup>1</sup> "Non-White" population includes all race and ethnicity categories, except for non-Hispanic Whites.

### III. Impact on Communities, Neighborhoods, and Residents

Judging the impact of the NSP so far is difficult because jurisdictions are still in the process of acquiring properties and many have yet to be occupied. More fundamentally, it is difficult to judge the impact of the program on neighborhoods and communities because the sheer size of the problem inhibits the ability of the NSP to have a substantial impact. Florida continues to be hard hit by foreclosures, with the third highest foreclosure rate in the nation in the first quarter of 2010.<sup>20</sup> There were over 153,000 foreclosure filings during the quarter, one in every 57 homes. Miami-Dade County had over 6,000 foreclosure filings alone, up 72% from the same period in 2009. One of the hardest hit areas has been the City of Miami Gardens, a largely homeowner community, with a homeownership rate of 73% compared with 60% countywide.<sup>21</sup> Miami Gardens has a foreclosure rate of at least 13%, and since mid-2007, has had well over 8,000 foreclosures. As of last July, at least 17 census tracts have foreclosure rates of 30% or greater.<sup>22</sup> The crisis does not appear to be ending soon. One realtor who works in Miami Gardens blames the economy and says that “the same amount of people are still losing homes, although now it might be leveling off. The economy still hasn’t reached bottom. I think it’s worse than it appears.”

One key problem is the large number of high cost and highly leveraged mortgages that are still putting families at risk of default. At least 15 census tracts in Miami Gardens had rates 25% or greater of high cost, highly leveraged loans.<sup>23</sup> These types of loans can quickly become unaffordable and thus leave the owners very vulnerable to foreclosure. Studies have shown that African American and Latino borrowers were more likely to be offered such subprime loans, even controlling for credit score and other factors.<sup>24</sup> This predatory lending is now responsible for the disproportionate impact of the foreclosure crisis on communities of color.

Given the scope of the problem in Miami Gardens, the limited funding for NSP has meant the impact of the program is also limited. So far, Miami Gardens has been able to acquire 32 homes, and has a goal of acquiring more. “Without the program,” Ms. Varela says, “there would be more homes becoming blighted and remaining abandoned. However, considering the amount of these types of homes within the City, I believe we would have needed more funds to make a bigger impact.” The homes are located throughout the City, and in hindsight, Ms. Varela continues, “I believe it would have been better to try to stabilize specific areas within the City. Except, based on the timing and deadlines of the NSP, this would not be viable as some of these homes are abandoned but not foreclosed. The timing involved with trying to acquire and redevelop an abandoned home is much more than purchasing a vacant foreclosed home.”

In addition to measuring the overall impact of NSP investment, the interviews were also intended to obtain individual perspectives on the program. Program officials generally felt the program had a positive impact on neighborhoods and residents. City of Miami program director, Ann Kashmir, said the City had targeted problem homes that drew drug and other illegal activities, and that getting rid of these problem homes is a definite benefit to residents. However, she also acknowledged, “It’s not urban redevelopment we’re talking about, there’s not enough money.”

Although Miami-Dade County has been hit severely by foreclosures, residents who were interviewed did not feel their quality of life had been impacted by the foreclosed or abandoned homes on their streets. The most common complaint was that the dilapidated look of the homes could negatively affect property values. In some cases where yards were overgrown or neglected, neighbors complained to the City or realtors. One resident of Miami Gardens, who lived next to an empty home with a real estate sign out front, called the realtor to complain about the yard. The problem turned out to be that the home was in limbo – the owner had given up making payments but the bank had not yet foreclosed, so the home had been taken off the market. The realtor did not know why the bank was delaying the foreclosure, but said it had already been three months and he expected to wait at least another six. Another resident who had an abandoned house on her block called the City of Miami Gardens which sent a maintenance crew to mow the lawn. In other instances, residents have begun to take care of their own streets by voluntarily keeping up the yards of the homes that are unoccupied.

No residents noted any problems such as crime associated with vacant homes. In Miami Gardens, officials said they had no cases of squatters, and suggested that this was not a problem because the neighborhoods are relatively stable with many long-time homeowners. Indeed, the neighbors we spoke with tended to know who their neighbors were and basic information such as whether they were owning or renting, and what their occupation is. In the Liberty City area of Miami, where the percentage of renters is higher and residents are generally less well-off than in Miami Gardens, neighbors noticed few problems associated with the abandoned houses on their streets. One resident of the Liberty City neighborhood in the City of Miami who lived down the street from a home which had broken windows and where people came by every so often to squat for a few nights or sell drugs, said the activity at the house had not affected him directly, and he still considered his street “quiet.” Another resident who lived across from a vacant house said that it attracted possums, but otherwise had sat empty for 2 years without causing a problem. In southern Miami-Dade County, where one street had 6 out of 20 homes boarded up and vacant, residents said they had noticed no problems and the street was “quiet.”

In this sense, neighbors felt that the NSP program did not have much of an impact on them. They appreciated that the government was fixing up the homes, but the beneficiaries were others: the people who would get the homes, particularly young people who had trouble finding homes they could afford. “Someone’s going to get a brand new house,” commented one neighbor who lived across the street from a newly rehabilitated NSP home. “They redid that whole house completely, everything is new.” “People need somewhere to live,” said another neighbor of a house that was on a list from the City of Miami to be demolished. “They could fix it up and put someone in there,” she suggested, possibly someone from Haiti who had been displaced by the recent earthquake. “It helps the young people,” said another neighbor about the program. “If a young person gets married and they don’t make any money, they need somewhere to live.”

Indeed, one young couple who recently purchased a home with help from [City]’s NSP program was very happy. Both in their mid-twenties with two children, they had been living in a rented apartment for five years. Lilian\*<sup>2</sup> heard about the program through a co-worker and so inquired at the City about it. She

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<sup>2</sup> \* Names of participants have been changed to protect anonymity.

completed the 8-hour required education course on homeownership and the paperwork without any problems, was pre-approved by a bank facilitated by the City, and found her home on her own through a foreclosures website. The cost of the home was \$90,000, and the \$10,000 down payment was provided through the NSP, along with vouchers for various home improvements including plumbing, flooring, and appliances, for a total of about \$5000.

Lilian says that the program has had a great and lovely impact on her life. She says that she and her family feel a sense of security that they have never felt before. "We have something of our own. It feels like home." They are even saving a little money now; before, as renters, they were paying about \$50 more per month than they are now. A property search revealed that the home was built in 2006 and sold for \$300,000. Southern Miami-Dade County is another area which was hard hit by foreclosures, mainly due to the hundreds of homes built and sold during the real estate boom that are now empty.

Others have found it more difficult to get a home through the NSP. First-time homeowners Janet\* and Todd,\* in their late-20s with three children, found out about the NSP through a newspaper ad, and contacted [City]\* about participating. They were able to qualify for the program but had a lot of difficulty locating an eligible house, i.e., one that was in foreclosure, and that was in decent condition. They searched on their own and with the help of a realtor, but felt that most of the houses they saw were in terrible condition, especially the bank owned properties. They made offers on several houses that were in decent condition, but they faced competition from others who were not subject to NSP rules, in particular that the sale price be at least 1% below the appraisal price. In general, they found that banks were not easy to work with and did not want to accommodate NSP guidelines. There were also disagreements between the bank and the City, such as over homeowner association dues that were owed on the house, which pushed back the date of the closing on their home several times.

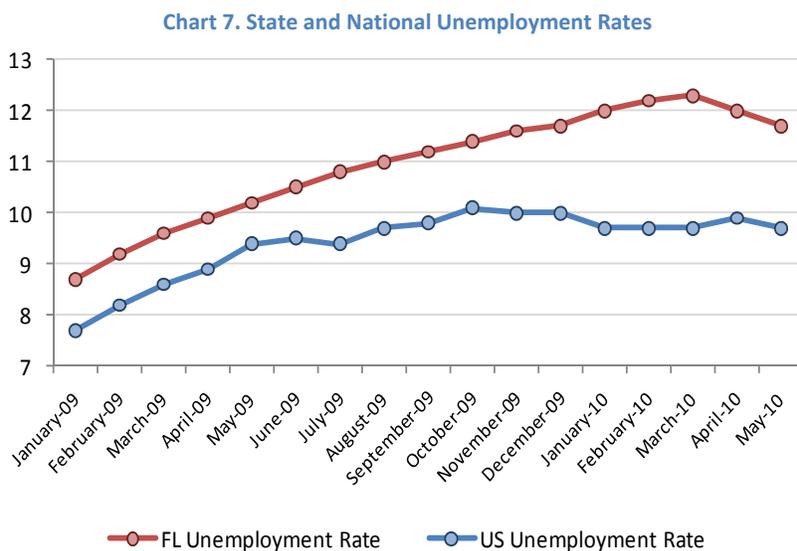
In the end, they were able to find a home with an asking price significantly below the appraisal price, and that was large enough for their family, although it was "not in a great neighborhood." The house was freshly painted and looked good for a bank-owned property, however, after the closing Janet found that there were some additional interior problems that needed fixing. They received about \$15,000 in assistance from the City, for repairs, appliances, and down payment. But Janet was frustrated with the level of help from the City and felt that program staff were overworked and had difficulty managing the new program. "I am sure there would be more [NSP] success stories if they 1) lessened the workload of the employees in charge and 2) revised the rules and regulations to make it more user-friendly," she said. "[The NSP program] is a good idea, because it's meant to deal with foreclosed homes, cleaning up the neighborhoods. There's no other way that we would have been able to have [such a large home], but getting to that point was extremely difficult."

These different perspectives on the NSP from participants, neighbors, and residents show how such a program can make a big difference in the lives of direct participants, but the broader effects on neighborhoods and communities are often difficult to see, especially in the face of such a large problem as the foreclosure crisis. They also show how perceptions of public programs can vary widely when

people are situated differently in relation to the program, especially when many have different priorities such as jobs, which are discussed below.

**NSP and Jobs in Local Communities**

Because so much of Florida’s employment was tied to housing prior to the recession, the housing crash and foreclosure crisis have also resulted in a huge loss of jobs,<sup>25</sup> particularly within communities of color.<sup>26</sup> For this reason, the NSP was partly designed with job creation in mind. Section 3 hiring requirements pertain to the contracting and sub-contracting work associated with acquiring, demolishing, rehabilitating, new construction, and selling NSP properties.<sup>27</sup> However, although these regulations are relevant to both NSP1 and NSP2, the Recovery Act job reporting requirements apply only to NSP2. A Freedom of Information Act (FOIA) request for NSP1 employment information has yet to be fulfilled, leaving conclusions about the actual employment impact of NSP to be speculative at this point. Nevertheless, jobs continue to be a major concern in Florida, as the unemployment rate remains over 11% (**Chart 7**).



When asked about the impact of the NSP program, Miami-Dade residents of neighborhoods where NSP homes are located noticed and appreciated the work done on homes through the NSP program. However, they were much more concerned with the lack of jobs in the area, and felt that as long as job loss or stagnation continued, the foreclosure crisis would also continue, resulting in more vacant homes. “They’re empty because of the job situation-

before, they were occupied. Lots of people are laid off,” said one Miami Gardens resident, a 50-something former welder who was himself laid off. “That’s the problem. If it wasn’t for that this neighborhood would have been alright. It will get better, but when?” He had already lost one home that he had been renting out. He had bought this home 25 years ago at the same time he bought the one he currently lived in. He had sold the second home seven months prior, after prices had already fallen but before it was foreclosed upon by the lender. “I lost money on the deal,” he said. “I rented to Section 8 so I fixed everything, had inspections.” He felt that the NSP was good, but too small. “It’s one little house. I don’t get the job, but at least someone does.”

Another resident mentioned a house on his street that had been occupied by 4 different families in the last 2 years. The turnover was apparently due to a rent too high for the inhabitants to afford. "If the jobs wouldn't have been lost, then the houses would still be going up in value. The guy across the street lost his job, only his wife worked. They stayed a few years then they had to leave," he said. Another resident was particularly concerned about the future of young people. "The stimulus is a good program, but they need to spend it in the right way. They need to make jobs for young people – people need jobs, especially the young."

Jobs are not only the major concern of residents for their own livelihoods, but also for the conditions of their neighborhoods. With an unemployment rate of 14.6% in March, most Miami Gardens residents felt that the foreclosures in their neighborhoods were due to job loss. Jobs are a topic that Councilman Andre Williams has been trying to address in his

### **Where are the jobs?**

Randall, a 60 year old man who has lived in the same house, as a renter, for the past 14 years, is satisfied with both the house he lives in and the neighborhood where it is located. In fact, he grew up in the Liberty City area of Miami and has lived there his whole life. Now he lives with one of his daughters and 2 grandchildren, his sister, his niece, and her two children. He characterizes the neighborhood as one that is populated by a mix of young and old residents, long-term and short-term, and renters and owners. He likes the neighborhood because it is quiet, and he would like to buy his home but cannot afford to. "Where you live is one of the most important things in life," he says. He has heard about programs designed to help people like him purchase a home, but never sought out any further information. He says he definitely would apply to a program to buy a house, but only if he found a steady job.

Randall has not seen any evidence of stimulus spending in his neighborhood, and does not know what kinds of jobs have been created by the stimulus. Even when he has seen infrastructure or street improvements in his neighborhood, he has not been able to get work. He says he has inquired at construction sites about getting work, but has always been turned down. In part, he blames interethnic tensions, and says that on many construction sites it is difficult to get a job "unless you speak Spanish." Randall previously worked in construction, in a number of different trades, especially roofing. He was even a member of the local chapter of the Laborers' International Union of North America (LIUNA). He has been unemployed for the past 5 years, and currently collects recyclables to sell. He says that there might be jobs in some areas, but not in Liberty City or the surrounding neighborhoods. "There just ain't no jobs around...they need to come here."

district. He was disappointed with the lack of attention to job creation with the NSP in Miami Gardens, and what he views as a lack of diligence in making sure that Miami Gardens residents were hired as part of the NSP process. However, NSP program director Varela says that they had "reached out to the local vendors registered with the City and have awarded work to local vendors." However, it seems that to ensure that local residents get jobs, programs must be specifically tailored. "The [NSP] provided no guidance," Williams says. "When you leave it up to the devices of the municipality, they choose the least onerous route, and there's no real creativity or problem solving because most bureaucrats are

preoccupied with the moment. They're thinking how they can spend the money and buy houses, not how to employ residents and uplift communities." So the Miami Gardens City Council recently allocated \$80,000 of Community Development Block Grant funding for job creation to clean up abandoned and foreclosed properties. The jobs will pay \$11 per hour and only City of Miami Gardens residents will be eligible. "It's a short term solution, but people need jobs now," Williams says.

#### **IV. Challenges and Successes in Implementation: Interviews With NSP Recipients**

A number of interviews were conducted with NSP recipients and local housing advocates in order to shed more light on the findings from the data analysis outlined in the previous section.<sup>28</sup> Several recurring themes surfaced in the interviews, most of which relate to one or more of the following issues: 1) *Program Design*, 2) *Implementation*, and 3) *Administration and Governing Structure*. The subsequent section is a summary of the challenges and opportunities of the NSP highlighted by the housing advocates and NSP recipients who were interviewed by the research staff of The Kirwan Institute.

##### *Program Design*

- ***Competing With Investors***

One of the most common points shared by interviewees was about how challenging it is to compete with the private investment market for foreclosed properties. Florida's foreclosure crisis has drawn a lot of attention from real estate investors who are looking to capitalize on the down market, making it difficult for NSP1 recipients to compete for properties in many areas. A few of the regulations within the NSP, intended to prevent fraud and wasteful spending, have severely restricted some local governments from using their program funding.

The requirement to only purchase foreclosed properties at a discounted rate of the appraised value has often kept NSP recipients from being able to offer as much for properties as investors, especially in communities with outdated appraisals. This challenge has been addressed in the design of NSP2, by allowing the purchase of short sales and by adjusting the discount rate from 5% off of the appraised value, to only 1%. However, because of such challenges, maintaining a targeted strategy area of investment has also been difficult for NSP1 recipients, in many ways forcing them to broaden their geographic range of property investment in order to commit their funding by the program deadline, sometimes resulting in less of an impact in specific neighborhoods.

Another challenge has been the lack of available and flexible credit, and bureaucratic structures that have inhibited NSP recipients from being able to move quickly on properties before they get scooped up by investors. Since the NSP funds cannot be requested before three days prior to use, they are often not available in a timely enough manner to give local governments the flexibility they need in order to pursue strategic properties, many of which get purchased quickly by investors who have cash on hand.

- ***Program Participation***

Another common theme from the interviews was the participation guidelines of the NSP. While only local and state governments were able to receive NSP1 funding based on a formula of need, NSP2 has competitively opened the program to non-profits as well. There are mixed opinions about whether or

not this represents an improvement in the program. Local governments that did not receive NSP2 funding expressed frustration, while non-profit recipients laud the move as one that will bring more creativity and efficiency to the program. Additionally, the range of eligible individuals who can purchase NSP properties has changed from 50%-80% of area median income (AMI) to 50%-120% of AMI. While opinions about this change differ among local governments and non-profits, most recognize the changes as making the program more flexible for implementation, while upholding the program's intention of helping to stabilize hard-hit communities. Commenting on the program's participation guidelines, Clarence Brown of Miami-Dade County pointed out the value of having set-asides in the program, and that potentially 40% of those who will benefit from the County's NSP funds are below 50% of the AMI.

- ***Other Program Challenges***

A common recognition among interviewees is the need for NSP to be further funded. Acknowledging that the program is generally well designed, recipients nevertheless stated that the amount of NSP money coming into Florida is simply not enough to address the severity of the foreclosure crisis. These comments are especially relevant in light of the fact that although the program has improved in its design from NSP1 to NSP2, NSP2 has only received half of the total funding allocated through NSP1.

One non-profit NSP2 recipient expressed concern over the fact that non-profits are unable to collect a developer's fee for their work. Although sub-recipients are able to collect such a fee, the restriction placed upon primary recipients' ability to collect a fee is seen as an unfair attempt to get more for less from the non-profit recipients. This represents some of the unforeseen challenges of expanding the program to non-profits, while treating them as though they were structured like a local government.

Each entitlement community that received NSP1 money has to show a public benefit from the use of funds, therefore creating a disincentive to leverage money with other jurisdictions, because each partnership would be required to show twice the benefit. Concern was raised over this issue by a member of a county government when asked about the ability to leverage their NSP investment among local governments within their county. Because leveraging public investment has proven to have such a multiplier effect, this issue represents an aspect of the NSP that could still be improved for future implementation.

### ***Implementation***

- ***Investment-Leveraging Partnerships***

The inability to commit all of the NSP1 funds before the obligation deadline in September appears to be both a matter of program design and implementation at the local level. Although the NSP represented a completely new program, full of unfamiliar and challenging guidelines, some recipients have managed implementation more effectively than others. One jurisdiction that has been able to work around many of the challenges is Pasco County. Through a network of partnerships with non-profits like Neighborhood Lending Partners of West Florida, Pasco County has been able to close on properties within a week, as opposed to the six-week average of other NSP recipients. Although non-profit agencies are not allowed to pay more than \$120,000 for a home under the NSP program,<sup>29</sup> by leveraging their money through partnerships, the county has been able compete for properties, and has purchased over

200 so far, making them No. 2 in the nation (behind Riverside, Calif.) in acquisition using NSP funds. As of the release of this report, Pasco County has committed all of its NSP1 funding, having already rehabilitated and sold nearly 50 properties, and has begun committing NSP2 funds as a member of a consortium with some of their partners from NSP1.

The County's Director of Community Development, George Romagnoli, cited good non-profit partnerships and flexible government structure as the two most significant keys to successfully acquiring properties and committing their NSP award before the deadline. Pasco's success in committing funds and acquiring properties demonstrates the benefit of having effective networks and systems in place, but also suggests that the procedures established during NSP1 could greatly benefit the implementation of NSP2. With improved policy, a better understanding of program guidelines, and the formal inclusion of non-profit expertise, NSP2 is poised for a more successful implementation than its predecessor.

- **Implementation Strategy**

Interviewees disclosed three aspects of program implementation, which include 1) the *aggressiveness* of the recipients' approach, 2) the *allocation* of funding to single family and multi-family housing, and 3) the *targeting* of resources within neighborhoods and cities. One of the most significant findings of the interviews was how program constraints and challenges led to differing approaches to implementation taken by each of the NSP recipients. While some took a more aggressive approach to allocating and investing the funds, others took a more hands-off approach, relying on private developers and home buyers to use the funds before the deadline. Each community that received NSP1 funding had its own reasons for the approach taken to implement the program, but the results so far show the value of an aggressive and collaborative strategy.

With the commitment deadline looming, many recipients have now considered how to use the large amounts of remaining funds. Although most funds up to this point have been allocated towards the purchase and rehabilitation of single family homes, many communities have now shifted their focus to multi-family units in order to avoid forfeiting money. The City of Miami has opted to spend most of its remaining acquisition funding on multi-family properties in order to both spend the funds by the deadline and address the on-going need for affordable rental housing. As of this report writing, the City plans to use \$4 million of NSP money to partner with non-profit housing developers who will acquire and rehab multi-family properties, which will result in 88 currently foreclosed or vacant units being brought back into use. The outcome of this change in strategies remains to be seen, yet HUD has already developed plans to reallocate the anticipated \$1 billion that will be uncommitted by the deadline to the areas across the country that have been hit hardest by foreclosure.<sup>30</sup>

Because of the challenges associated with the program deadlines and unfamiliar regulations, maintaining a targeted strategy area of investment has also been difficult for NSP1 recipients. One example is Miami-Dade County, which has concentrated the majority of its home purchases in the southern part of the County, where the majority of foreclosures are in areas where homes were built after 2000, during the housing boom. Under NSP rules, recipients must restore homes with illegal additions back to their original state under HUD's guidelines. Many older homes need substantial rehab

work. According to NSP program director for Miami-Dade County, Clarence Brown, the fact that these homes were newer and in better condition made it easier for the County to acquire them. This is in contrast with the northern part of the County, where the homes are older and often require significant modifications before they can be sold, making it more difficult to adhere to program deadlines. Illustrating this point, as of the writing of this report, the County has acquired 26 homes in the southwestern part of the County, and 6 in the northern unincorporated areas of the County.

The City of Miami Gardens specifically targeted problematic homes. Program Director Elizabeth Varela said, “We primarily look for homes that we believe would not sell in the regular market either because of their condition or because of violations/liens. Homes that are in particularly good condition, we make offers on only if they continue on the market for a long period of time. Our intent is to not compete with regular buyers since if they acquire a property that would also meet the intent of the program, which is to stabilize the neighborhoods. We really want to target homes that unless the City were to acquire them, they would remain abandoned and eventually blighted, if not already.” Although Miami Gardens had not implemented a program like NSP before, they were able to acquire homes beginning last November and have already finished renovating several of them. According to reports, they are on track to spend their NSP funds; they will, furthermore, be able to recycle funds from the sale of homes in order to acquire more homes.

The various aspects of implementation strategy show the need for flexible Federal policy, which can be executed in a variety of contexts. Florida contains a diverse group of housing markets, and also differs from most other states across the country, making it a unique case study for how programs like the NSP can be structured in order to benefit all communities. Fortunately, it appears as though the NSP has evolved into a flexible program, and will hopefully continue to do so throughout the implementation of NSP2.

### *Administration and Governing Structure*

- ***Job Creation and Tracking***

The interviews with local NSP recipients and housing advocates did shed some light on the subject of job creation. While none of the program officials interviewed could provide actual data, most suggested that the program has generated jobs and has had a positive impact on an otherwise struggling construction industry in Florida. Several officials claimed that the NSP has played a role in getting construction contractors back to work through demolition and rehabilitation contracts, which has also been reflected in some of the State’s business journals.<sup>31</sup>

Although job creation has been recognized as a helpful side-effect of NSP1 design, as part of the urgency of The Recovery Act, NSP2 contains a greater emphasis on job creation and the tracking of jobs. Despite this increase in concern for employment, the job-tracking measures remain inadequate to determine what individuals and communities are finding work throughout the implementation of the NSP. Although Section 3 requirements pertain to both NSP1 and NSP2, neither includes a level of detail or transparency conducive to measuring the employment effect of the investment. The Administration’s

support for transparency must be applauded, but the technical measures of creating and tracking jobs need to become more robust.

- ***Bridging the Communication Gap***

One of the concerns heavily expressed in the interviews was that there is too much of a gap in communication among HUD headquarters, the technical assistance providers, and the local recipients. This gap has often resulted in misinformation and slower processes as recipients attempt to follow program guidelines and effectively allocate the funds. A related effect of this gap is that many local jurisdictions have become too fearful of HUD oversight to take any risks that successful implementation of the program might require, leading to the hands-off approach previously described. What is suggested by recipients is that communication be increased from top to bottom, so that policy makers can respond to the needs and situations in local communities, and so that those implementing policy can quickly get accurate and complete information.

## **V. Media Coverage of the NSP: A Local and National Review**

A final element of the research presented in this report includes a review of the NSP in local, state and national press, including the highlights, shortcomings and best practices that have surfaced in various communities. Despite the differences among local housing markets across Florida and the rest of the country, many areas have faced similar challenges in implementing the program, and a few of the themes from local interviews have been reflected in media coverage beyond the Sunshine State. The following summary reflects the highlights of the NSP as portrayed in the press, and helps provide further context for local research.

The Neighborhood Stabilization Program has helped first-time homebuyers purchase homes in communities hardest hit by the foreclosure crisis. The program has also redeveloped vacant and abandoned eyesores in blighted communities to build affordable housing for low- to moderate- income families. For many, the program represents a new beginning and new start to life. For families like the Canales who left an apartment in Clearwater, Florida, for a four-bedroom house in Pasco, Florida, the program means peace and quiet. "I'm happy," Valeria Canales relays to The Suncoast News. "There's no banging, no people screaming, no commotion outside. At the beginning, I felt out of place. I never had it so quiet."<sup>32</sup> In Wichita, Kansas, first time home-owner Lavonne Ratcliff took advantage of the NSP program; prior to the assistance she had never dreamed she could afford a home one of her own. "We thought maybe this won't happen and we'll rent forever, but then I heard about this program and here I am," she shared with Kansas New Channel 3.<sup>33</sup>

*"We thought maybe this won't happen and we'll rent forever, but then I heard about this program and here I am"*

### **Program Challenges**

Media reports indicate that acquiring properties has been more difficult than anticipated. Competition from private investors, delays from banks, and HUD rules and regulations make rehabilitating foreclosed homes a difficult process. In March 2010, Florida trailed 42 states, spending roughly 2 percent of its

NSP1 funds according to the U.S. Department of Housing and Urban Development. The following are some of the shortcomings that have been experienced in Florida and around the country.

### *Competition from Private Investors*

Competition from private investors in both suburban and urban neighborhoods has been a prevailing concern as counties across the nation hurry to spend NSP1 funds. Commissioner Gail Dorfman, of Hennepin County, Minnesota, and Minneapolis's Director of Housing Policy and Development Tom Streitz, agree that, predominately in suburban areas where foreclosures progressively occur, private investors continually snatch up properties before those prospective buyers seeking to use NSP funds.<sup>34</sup> Sharon West, manager of Housing and Community Development for the city of Tampa, sums up the difficulty of using NSP funds in older neighborhoods stating, "There are challenges to working in urban neighborhoods with an old housing stock. Homes bought with NSP funding must be purchased at a discount based on the appraisal price and appraisals are coming in at almost 50 percent of the purchase price. That's not the case in suburban jurisdictions where appraisals are closer to the asking price because the homes are newer ...We're also competing against investors who don't care about appraisals and have cash."<sup>35</sup>

*"There are challenges to working in urban neighborhoods with an old housing stock."*

### *Reluctance by Banks to Work with the NSP*

There has been an ongoing reluctance among banks to loan money on homes that need extensive repairs in Florida and across the nation. The San Francisco Chronicle reported on April 26, 2010, that banks are issuing new guidelines to real estate agents, requiring them to give priority to local governments using NSP1 funds to buy foreclosed homes.<sup>36</sup> Palm Beach Post reported in January 2010, that although 100 people had been approved to receive loans, only 12 actually closed on homes.<sup>37</sup> Assistant Administrator Shannon LaRocque said people in Palm Beach, Florida, are having trouble competing with investors for the foreclosed homes. "Banks are selling the foreclosed properties in bundles to investors....that has been a real challenge."

### *Strict Program Rules in NSP1*

Under the rules established by the U.S Department of Housing and Urban Development, grant recipients must pay 1 percent less than the appraised value of any property. Contra Costa County, California, reports that the requirement has made it hard for local agencies to prevail over investors willing to pay market price on bank-owned homes. Some local officials say the 1 percent rule continues to place them at a disadvantage. Kara Douglas, Contra Costa County's affordable housing program manager, says "We're competing with all-cash offers, and if we're required to buy at a discount, that is a big hurdle."<sup>38</sup> Cities must also restore homes with illegal additions back to their original state under HUD's guidelines. In Miami Gardens, Florida, Director of Community Development, Daniel Rosemond, commented on

*"We're competing with all-cash offers, and if we're required to buy at a discount, that is a big hurdle"*

homes with illegitimate additions, "We've walked into a property on paper that is supposed to be a two bedroom and one bath that a past owner transformed into a five bedroom, three bath with no permits."<sup>39</sup>

### **Best Practices**

Few recipients of NSP1 funds across the State and the nation have found creative ways to employ federal funds. Recurring successes included: partnering with non-profit housing agencies; inviting real estate investors to help spend the federal dollars; hiring housing rehabilitation specialists; and rehabbing foreclosed homes into green homes.

### ***Real Estate Agents can Help Spend Federal Dollars***

Jean Rags, Director of Health and Human Services in Hernando County, issued a notice in April 2010, to invite real estate agents to help spend the federal dollars and get more qualified home buyers into foreclosed and short sale homes. The notice sought real estate investors to buy the available foreclosures. These investors would then act as developers to fix up the property and return it to the county's list of qualified buyers to complete the transaction. The use of investors is "another tool in our toolbox to expedite the commitment of dollars so that we can have more money from the State," Rags said.<sup>40</sup> In yet another example in Pasco County, Florida, 4 non-profits teamed up with aggressive realtors and competed against each other for commissions; realtors were dedicated to help make the sales.

### ***Expanding Target Areas***

Lee County, Florida, is going beyond its county boundary of Lehigh Acres and San Carlos, and into Fort Myers, looking for qualifying NSP recipient properties. The County has extended its boundaries to other areas that possess large numbers of single and multi-family foreclosed homes. Since the program began in 2009, the County has purchased 65 single family homes, but just one multi-family complex. This method of spreading NSP1 funds broadens the scope of the program and the potential to reach more homes and families.<sup>41</sup>

### ***Go Green***

Energy-reducing features are becoming an important part of affordable housing. Jacksonville has turned to green housing, a sustainable approach in utilizing NSP funds. The Jacksonville Housing and Neighborhoods Department has been able to implement its own energy conservation standards in partnership with The St. Johns Housing Partnership, Inc., a nonprofit organization that provides affordable, sustainable houses.<sup>42</sup> The

*“The goal is to reduce the long-term costs of home ownership with better insulation and air filtration, native landscaping, erosion control, indoor water-use reduction.”*

goal is to reduce the long-term costs of home ownership through better insulation and air filtration, native landscaping, erosion control, and indoor water-use reduction. Bill Lazar, executive director of the organization, said he intends to use energy efficient design standards in all future affordable housing projects, but that the sustainable features will be at minimal cost so as to keep the units affordable. Currently, about 40 affordable homes under construction in Jacksonville include sustainable elements.

### ***Assembling a Team of Experts and Specialists***

In Chicago, much energy has been devoted to assembling a team of experts. The city has recruited more than 40 for-profit and non-profit developers, 13 appraisal companies, eight asset management firms, 18 law firms, 10 real estate companies, 6 specification writers, and 6 title companies to handle the details

of acquiring, repairing and selling or renting a large number of single-family houses and apartment buildings. The City's methodical approach recently helped it win an additional \$98 million from a second round of NSP funding, a round in which only 56 of 480 applying locals received grants from the U.S. Dept. of Housing and Urban Development.<sup>43</sup>

Dayton, Ohio, and other major cities across the nation, have taken the approach of using a portion of their NSP funds to hire a Housing Rehabilitation Specialist. The specialist's purpose will be to implement the terms of the Neighborhood Stabilization Program (NSP1 and NSP2) federal stimulus grants. Specific duties include overseeing the purchasing and renovation of houses, and prescribing the necessary updates that will bring each foreclosed house up to the City's standards.<sup>44</sup>

### *Single-Family vs. Multi-Family*

Since March 2010, San Antonio has committed nearly three-quarters of the \$8.6 million awarded during the first round of NSP, a robust allocation that makes it the exception, not the rule, in Texas. Gordon Anderson, a spokesman for the Texas Department of Housing and Community Affairs states, "It's possible that some states - completely in keeping with the program guidelines - could buy a couple of large multi-family properties and, boom, they just obligated a huge percentage of their funds. We have chosen not to do that. We're focusing, to a great extent, on single-family homes." San Antonio has opted to spread its grant money over both single-family homes and multi-family projects.<sup>45</sup>

### *Using Land Banks to Lengthen NSP Deadline*

Communities across the nation are using a buy-and-hold strategy to retain NSP funds. Land banks are governmental or nongovernmental non-profit entities established to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.<sup>46</sup> Columbus, Ohio, has added 76 properties to its land bank during the first quarter of 2010, totaling 224 vacant properties ready for future renovation or demolition.<sup>47</sup>

The Tampa Bay Business Journal reported on St. Petersburg, Florida's deliberation over a land bank which would allow the city to purchase and hold on to foreclosed properties for up to 10 years. Joshua Johnson, St. Petersburg's Director of Housing and Community Development, commented on the land

*"The NSP represents the first time it has been possible to use federal money for land* bank, stating "the NSP represents the first time it has been possible to use federal money for land banking... these are properties that nobody else will touch, but they can create a decent fabric to the community if they are cleaned up."<sup>48</sup>

## **VI. Moving Forward: Recommendations on Future Programs, Implementation and Community Equity**

The findings from the interviews, data analysis, and media review reveal that although NSP1 was rapidly developed, the program has been vastly improved throughout the implementation phase, resulting in a version in NSP2 that will be targeted and yet flexible enough to be implemented at any local level across the country. As Clarence Brown of Miami-Dade County pointed out, “NSP2 will benefit greatly from the foundation that was laid by NSP1.” Additionally, the steps in the Recovery Act taken towards measuring employment impact, however unrefined, will be valuable as the NSP continues to mature. The following is a set of recommendations that reflects the issues that emerged both from the available data and from the interviews.

### *Program Design*

- Celebrating the strategic development of the NSP, the program should be further funded, either through another phase of implementation, or by rolling it into a more permanent part of future CDBG funding.
- Building on the transparency initiative of the Recovery Act, increased detail should be required of the job reporting standards to ensure that jobs are going to the communities that need them the most.
- Job creation for local communities should be incorporated into the design and purpose of the program. Rather than simply being a spillover effect of program implementation, ensuring that members of hard-hit communities are able to obtain quality jobs on NSP projects should become a distinctive of the program.

### *Implementation*

- Investments should be leveraged wherever possible. Learning from the example of Pasco County and Neighborhood Lending Partners of West Florida, similar financing structures and partnerships should be employed in the use of all remaining and future funds.
- Aggressive pursuit of investing program resources. Despite the limitations of local government structures and program guidelines, public and private recipients of public funding should build the necessary partnerships and initiatives to effectively put these investments to work for their communities. Local leadership must maintain a strong will to effectively invest the program funds.
- Communities that are struggling to commit remaining NSP1 funds should put out a public request for proposal for how the funds should be allocated quickly, effectively and equitably.
- Shared equity homeownership tools such as deed restrictions and community land trusts should be incorporated into the program design and implementation. Use of these tools will ensure that the investments made by NSP leave a lasting legacy by providing stable, affordable housing, as well as wealth-building opportunities for future generations.

### *Administration and Governing Structure*

- Close the communication gap between local government and HUD headquarters. This will help avoid miscommunication about how programs are to be implemented, and will allow for local knowledge to help shape successful policy at the highest level.

- Lift up other forms of *targeted universalism* across the Federal and State levels by setting broad program goals, yet employing specific strategies.<sup>49</sup> Building on the success of the NSP to reach the communities that have been most impacted by foreclosure and neighborhood crisis, more departments and programs should be modeled after the spirit of equity exemplified in the NSP.

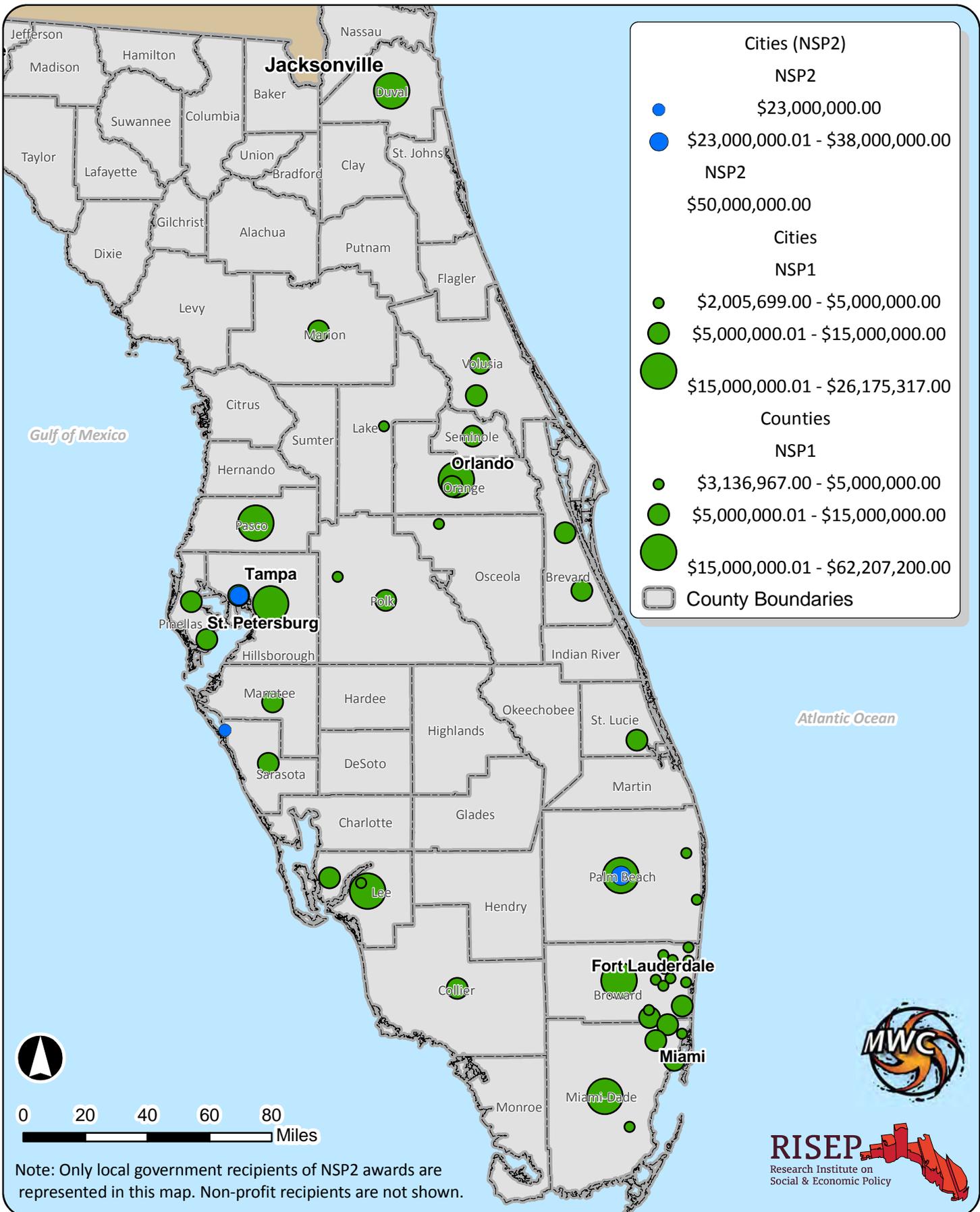
The Neighborhood Stabilization Program is, by design, a targeted form of public investment, making it exemplary in a time when the impact of the recession is unevenly felt. As HUD Secretary Shaun Donovan said in a recent announcement that NSP1 funds not allocated by the September deadline will soon be re-awarded to high-need areas, “*We believe fundamentally that with the broader recovery we should be focusing resources on the places that are hardest hit.*” The focused approach of the NSP is a model that should be replicated in other housing, education, employment, and transportation program areas, in order to fully leverage and capitalize on all public investment. Additionally, NSP resources should be used to develop and maintain a balanced portfolio of housing options. Monitoring this will help neighborhoods avoid the displacement effects of gentrification, while also providing the variety of housing needed in order to give residents the opportunity for upward mobility and allow for the rebuilding of community equity. These are the kinds of programs that should be looked to in order to truly develop the areas that have the greatest need, and in order to achieve the universal goal of having a State full of healthy and vibrant communities. With a State budget crisis hanging in the balance, strategically allocating public dollars towards areas of greatest need will help to insure an equitable future for all Floridians and a more sustainable fiscal policy.

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- <sup>1</sup> [Most Foreclosures Pack Into a Few Counties](#), Brad Heath, USA Today, March 6, 2009
- <sup>2</sup> National Association of Realtors. Summary of Key Provisions of H.R. 3221. Retrieved from [http://www.realtor.org/government\\_affairs/gapublic/hr\\_3221\\_key\\_provisions](http://www.realtor.org/government_affairs/gapublic/hr_3221_key_provisions).
- <sup>3</sup> Citizens Housing and Planning Association. Summary of "Housing and Economic Recovery Act of 2008" July 28, 2008. Retrieved from [https://www.chapa.org/files/f\\_1220966809h3221final%20summaryJuly282008rev2.pdf](https://www.chapa.org/files/f_1220966809h3221final%20summaryJuly282008rev2.pdf)
- <sup>4</sup> U.S. Department of Housing and Urban Development. Community Planning and Development: Neighborhood Stabilization Program Grants. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>.
- <sup>5</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program Grants. Content current as of May 10, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1.cfm>
- <sup>6</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program Grants. Content current as of May 10, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1.cfm>
- <sup>7</sup> US Department of Housing and Urban Development. Office of Block Grant Assistance. Neighborhood Stabilization Program 2008 Formula Grants, Module 1: Eligible Uses, Activities and Properties, and Income Rules. Content current as of September 17, 2009. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/training/index.cfm>
- <sup>8</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program Grants. Content current as of May 10, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1.cfm>
- <sup>9</sup> U.S. Government, The Recovery.gov. The Act. Retrieved from [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)
- <sup>10</sup> U.S. Government, The Recovery.gov. The Act. Retrieved from [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)
- <sup>11</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program 2: Introduction. Content current as of April 12, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrfactsheet.cfm>
- <sup>12</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program 2: Introduction. Content current as of April 12, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrfactsheet.cfm>
- <sup>13</sup> U.S. Department of Housing and Urban Development. Neighborhood Stabilization Program 2: Introduction. Content current as of April 12, 2010. Retrieved from <http://nhl.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrfactsheet.cfm>
- <sup>14</sup> Winters, Michelle. Neighborhood Stabilization Program Round 2 – Consortia. [www.ct.gov/ecd/lib/ecd/LISC\\_NSP\\_2\\_Consortia\\_Presentation.ppt](http://www.ct.gov/ecd/lib/ecd/LISC_NSP_2_Consortia_Presentation.ppt)
- <sup>15</sup> [Florida NSP1 Snapshot](#), US Department of Housing and Urban Development (HUD), April 2010.
- <sup>16</sup> Due to inconsistent reporting practices, it is unclear how many of these units are single-family and how many are multi-family, however, based on the properties for which it is specified, it is clear that most of the funds have been used on single-family units so far.
- <sup>17</sup> See appendix for full Kirwan Institute opportunity mapping methodology.
- <sup>18</sup> A map particular to the Jacksonville region was not generated because the quarterly reporting for that region has yet to identify any specific properties.
- <sup>19</sup> [NSP2 Grant Summary](#), National League of Cities
- <sup>20</sup> Susan R. Miller, "Realty Trac: S Fla Q1 foreclosure filings rise." South Florida Business Journal, April 15, 2010.
- <sup>21</sup> American Community Survey 2007.
- <sup>22</sup> City of Miami Gardens Neighborhood Stabilization Program 2 Submission Draft
- <sup>23</sup> Ibid.
- <sup>24</sup> Center for Responsible Lending. 2006. *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages*. Available on-line at [www.responsiblelending.org](http://www.responsiblelending.org).
- <sup>25</sup> The State of Florida lost 594,517 jobs between 2008 and 2010, and Florida's construction industry lost 114,450 jobs between 2006 and 2009, according to the U.S. Bureau of Labor Statistics.
- <sup>26</sup> Between 2007 and 2009, total employment in Florida fell by 8.25%, while Black employment fell by 9.94% and Latino employment fell by 12.84% during the same period. White employment fell by 8.26%. Source: U.S. Bureau of Labor Statistics.
- <sup>27</sup> See the HUD NSP Section 3 guidelines in the appendix of this report.
- <sup>28</sup> A list of all who were interviewed is included in the appendix of this report.
- <sup>29</sup> [New Federal Funding Will Help Buy Homes in Pasco](#), Jodie Tillman, St. Petersburg Times. 4/16/2010.
- <sup>30</sup> [Housing Department to Funnel \\$1 Billion to Hard-Hit Areas](#), The Monitor Breakfast, 5/18/2010
- <sup>31</sup> [Stimulus Grant to Jacksonville May Create 800 Local Jobs](#), Christian Conte, Jacksonville Business Journal. 8/14/2009.
- <sup>32</sup> [Bay Area Trails in Housing Program](#), Kevin Wiatrowski, Tampa Tribune. 2/22/2010.
- <sup>33</sup> [Program Creating Homeowners, Better Neighborhoods](#). KSN.com Channel 3 News. 5/25/2010.
- <sup>34</sup> [Minneapolis Congressional Hearings Focus on Foreclosure and Housing Crisis](#), Sheila Regan, Twin City Daily Planet. 1/24/2010
- <sup>35</sup> [St. Pete, Tampa Use Federal Funds for Foreclosures](#), Margie Manning, Tampa Bay Business Journal. 2/12/2010
- <sup>36</sup> [U.S. Funds Help Cities Stabilize Neighborhoods](#), Robert Selna, San Francisco Chronicle. 4/26/2010

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- <sup>37</sup> [\\$160 Million in Federal Money to Help Buy, Remodel Foreclosed Homes in South Florida](#), Kimberly Miller, Palm Beach Post. 1/14/2010
- <sup>38</sup> [U.S. Funds Help Cities Stabilize Neighborhoods](#), Robert Selna, San Francisco Chronicle. 4/26/2010
- <sup>39</sup> [North Miami and Miami Gardens to Sell Foreclosed Homes](#), Nadege Charles, Miami Herald. 4/18/2010.
- <sup>40</sup> [Hernando Gives \\$3 Million in Grants for Low-Income Rentals](#), Barbara Behrendt, St. Petersburg Times. 4/17/2010
- <sup>41</sup> [Neighborhood Stabilization Program Expanding in Lee County](#), WZVN Fort Myers Channel 7 News. 3/16/2010
- <sup>42</sup> [Affordable Housing Going Green on a Budget](#), Christian Conte. Jacksonville Business Journal, January 8, 2010.
- <sup>43</sup> [NSP Chicago- When the Going Gets Tough, the Tough Get Going](#), Matt Field, chicagonsp.org. 2/20/2010
- <sup>44</sup> [City Looks to Hire Housing Specialist](#), Kelli Wynn, Dayton Daily News. 3/17/2010
- <sup>45</sup> [Stabilizing Neighborhoods](#), Patrick Danner, San Antonio Express News. 4/16/2010
- <sup>46</sup> [HUD Land Bank Factsheet](#): [www.hud.gov/offices/cpd/about/conplan/.../landbanksfactsheet.doc](http://www.hud.gov/offices/cpd/about/conplan/.../landbanksfactsheet.doc)
- <sup>47</sup> [City Adding to Land Bank: 76 Homes Bought in First Quarter](#), Mark Ferenchik, Columbus Dispatch. 5/8/2010
- <sup>48</sup> [St. Pete, Tampa Use Federal Funds for Foreclosures](#), Margie Manning, Tampa Bay Business Journal. 2/12/2010
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<http://law.du.edu/documents/denver-university-law-review/powell.pdf>

# Map 1: Florida NSP 1 & 2 Award Distribution

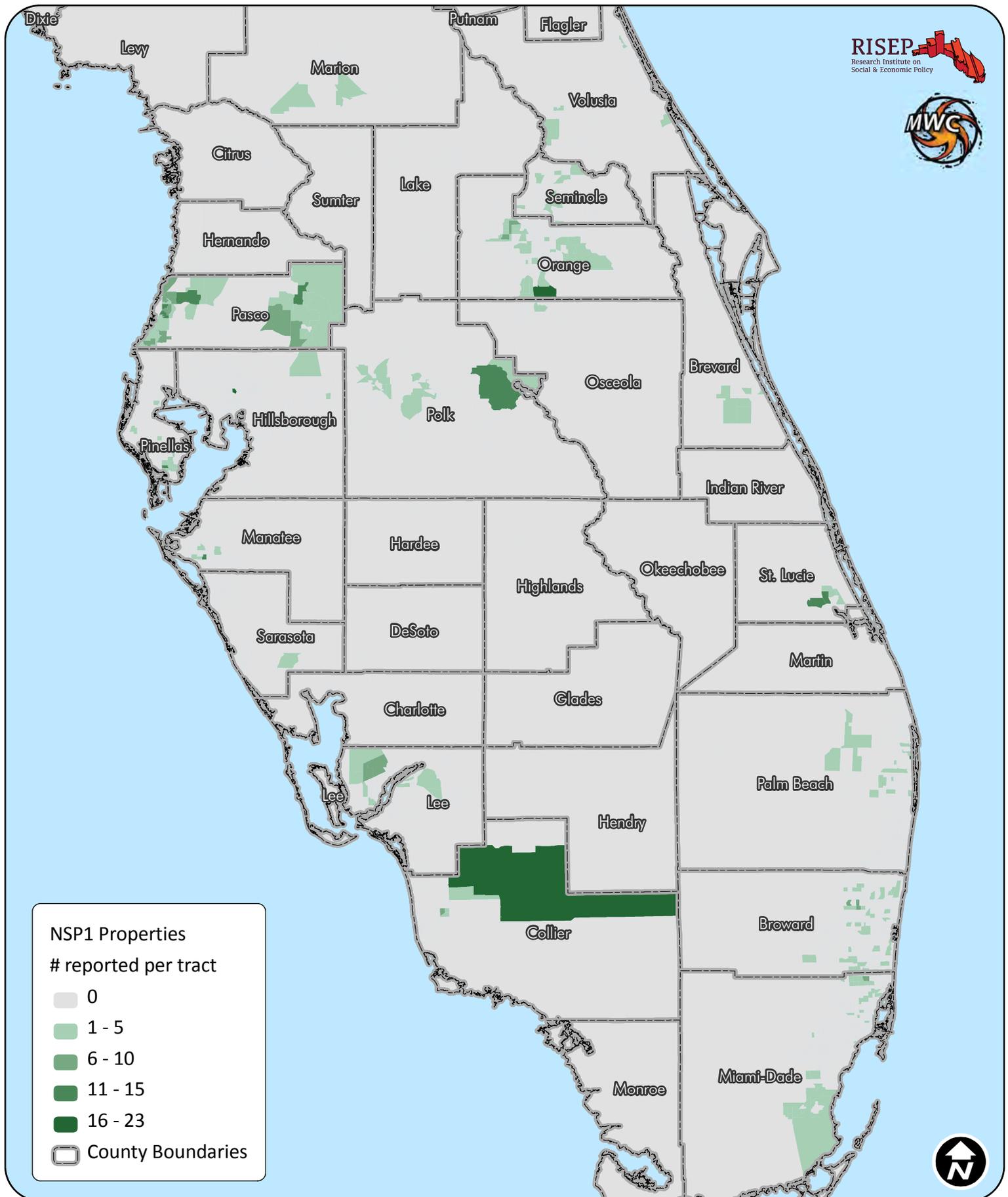
Sources: U.S. Department of Housing and Urban Development (HUD)



# Map 2: NSP1 Properties by Census Tract

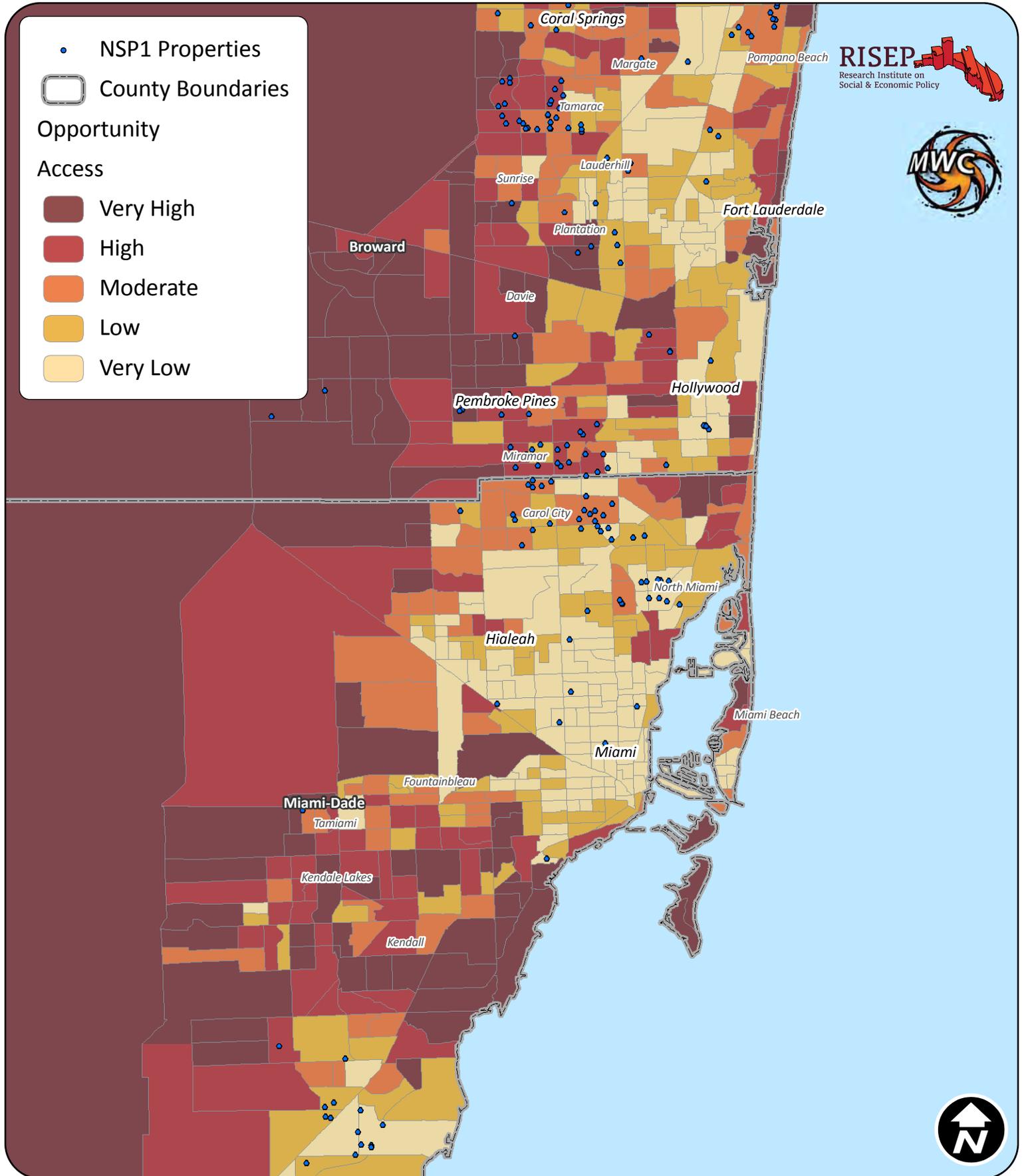
This map summarizes the location and number of NSP1 properties, per the quarterly reporting.

Source: Florida Department of Community Affairs, U.S. Department of Housing and Urban Development (HUD)



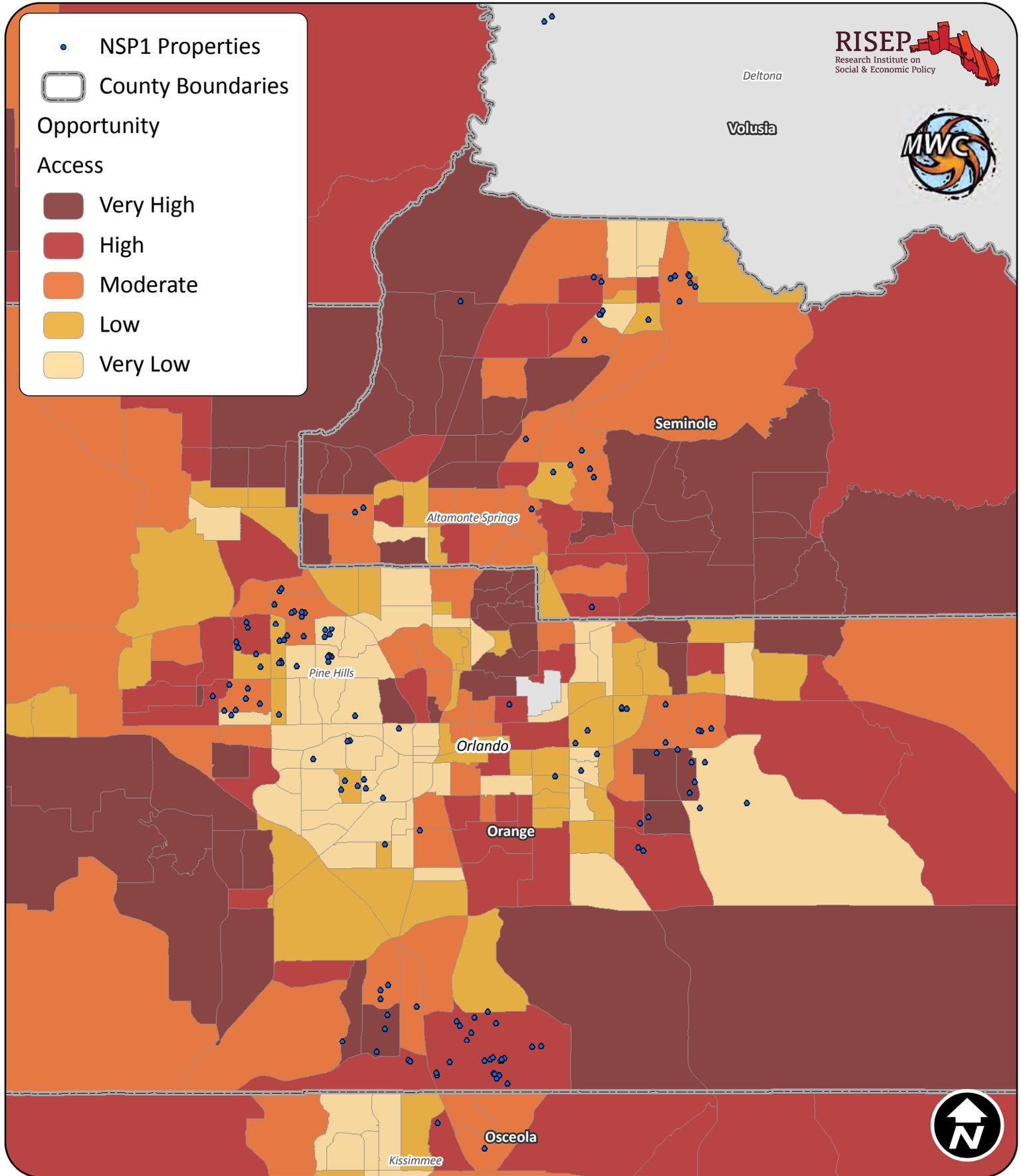
# Map 3: NSP1 and Opportunity in Miami

This map shows the relationship between access to opportunity and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



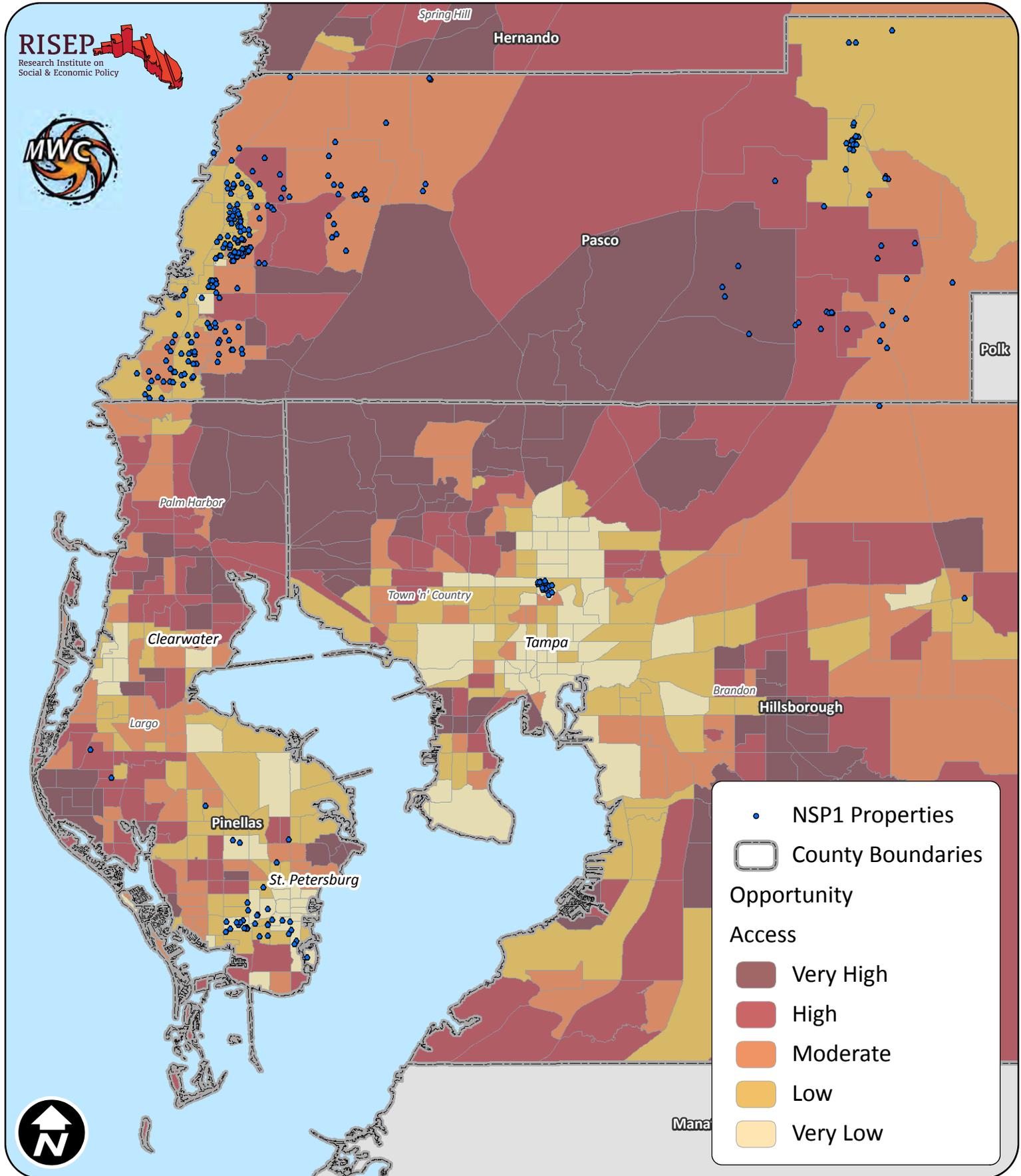
# Map 4: NSP1 and Opportunity in Orlando

This map shows the relationship between access to opportunity and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



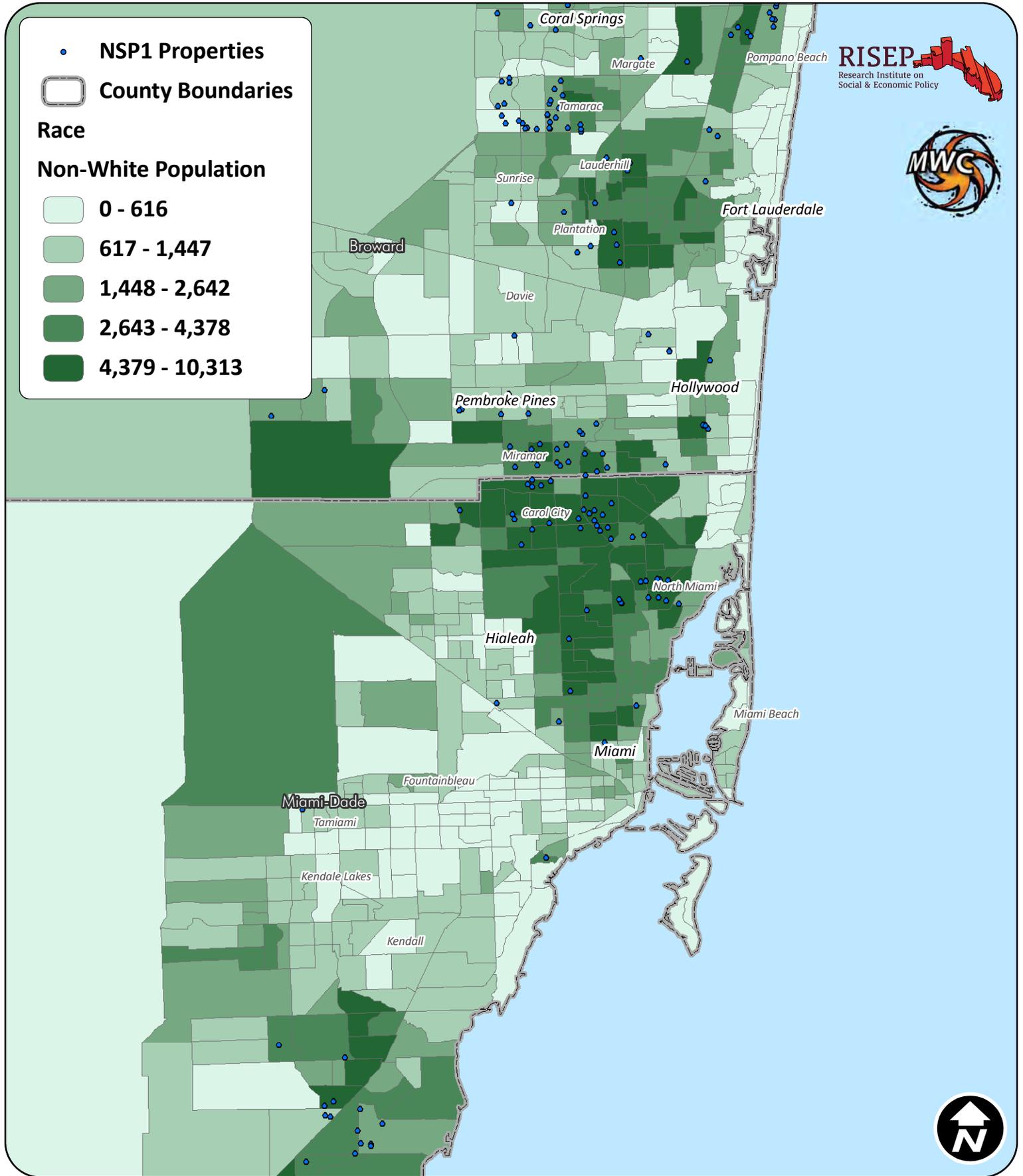
# Map 5: NSP1 and Opportunity in Tampa

This map shows the relationship between access to opportunity and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



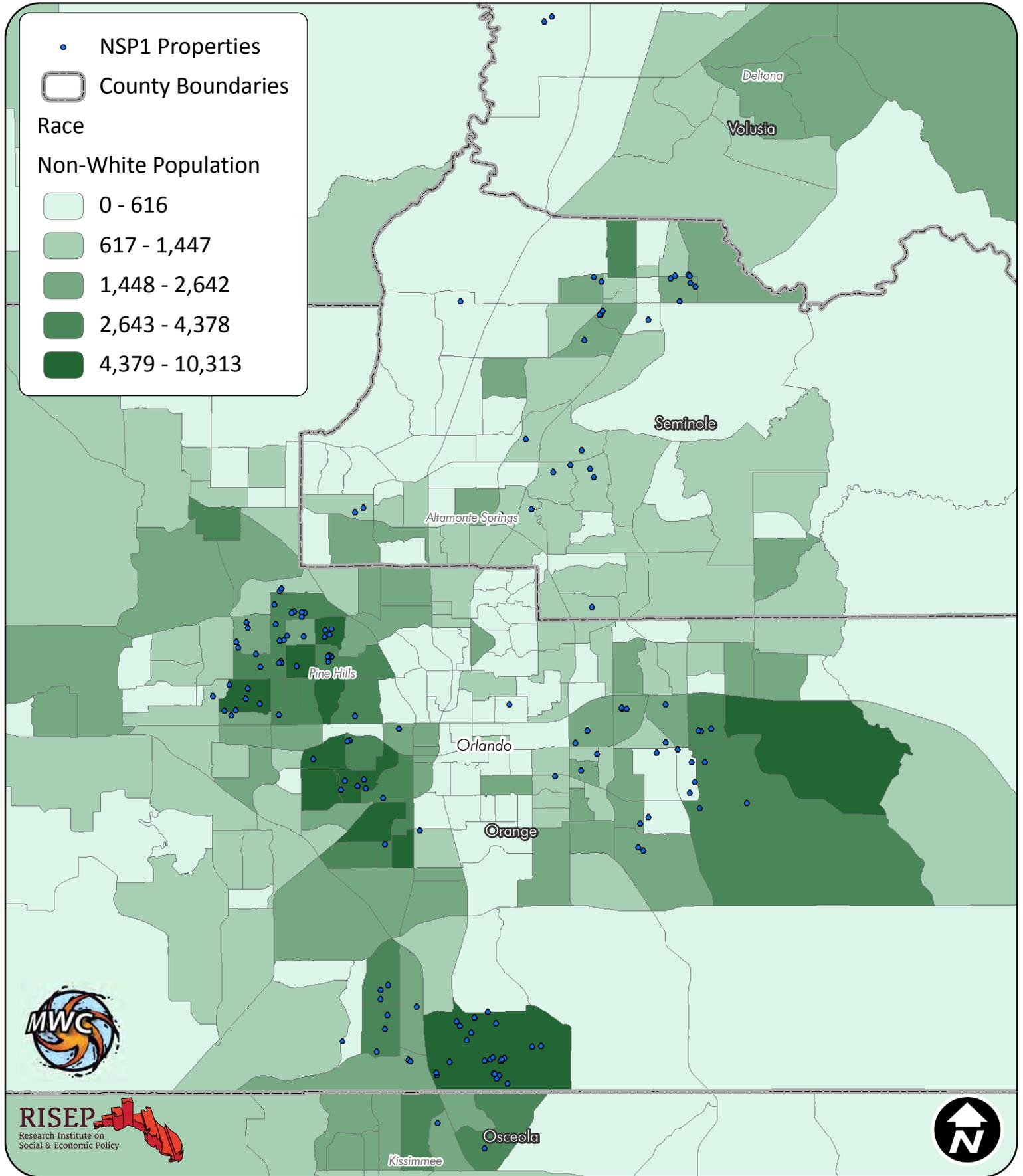
# Map 6: NSP1 and Race in Miami

This map shows the relationship between non-White population and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



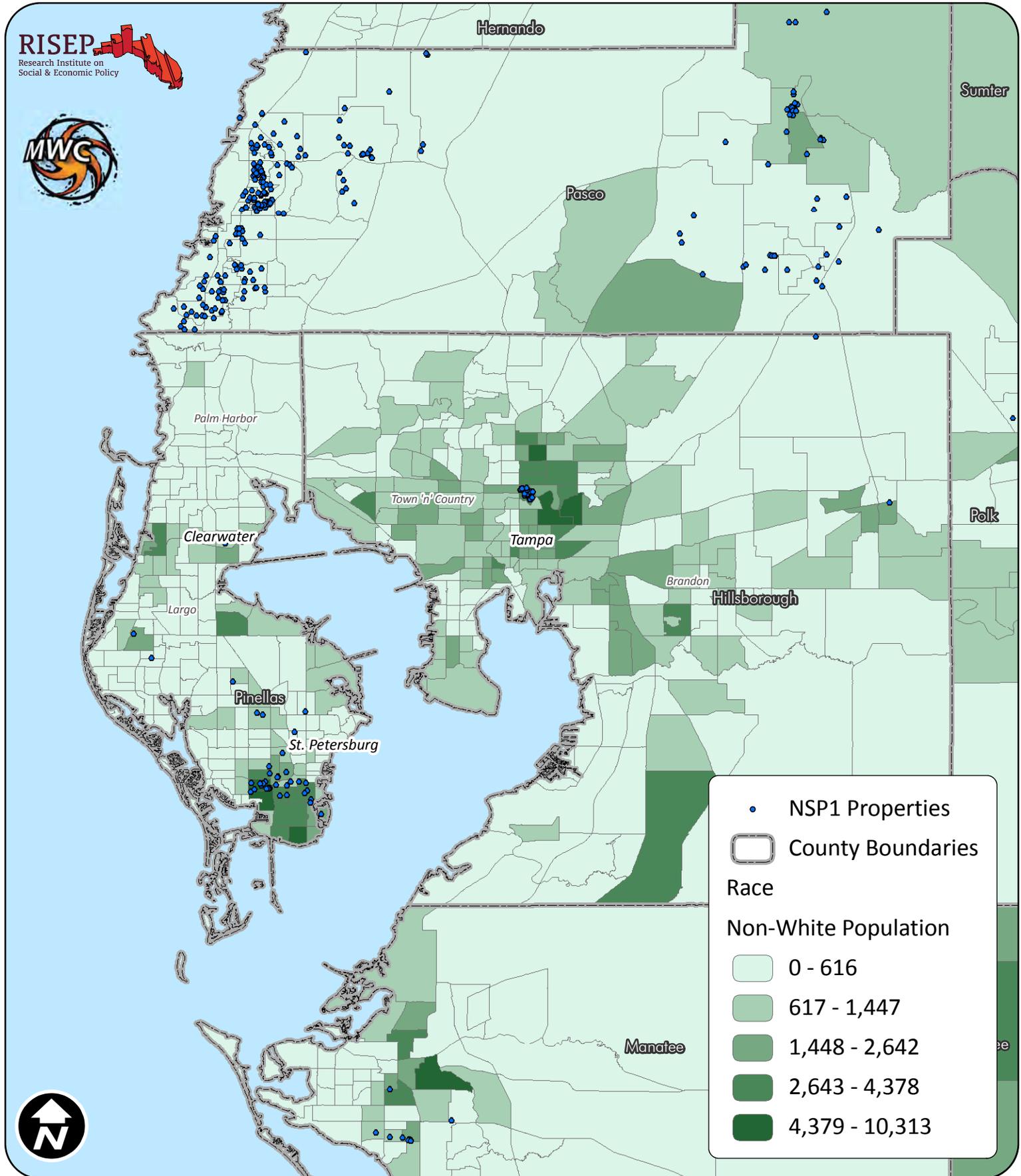
# Map 7: NSP1 and Race in Orlando

This map shows the relationship between non-White population and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



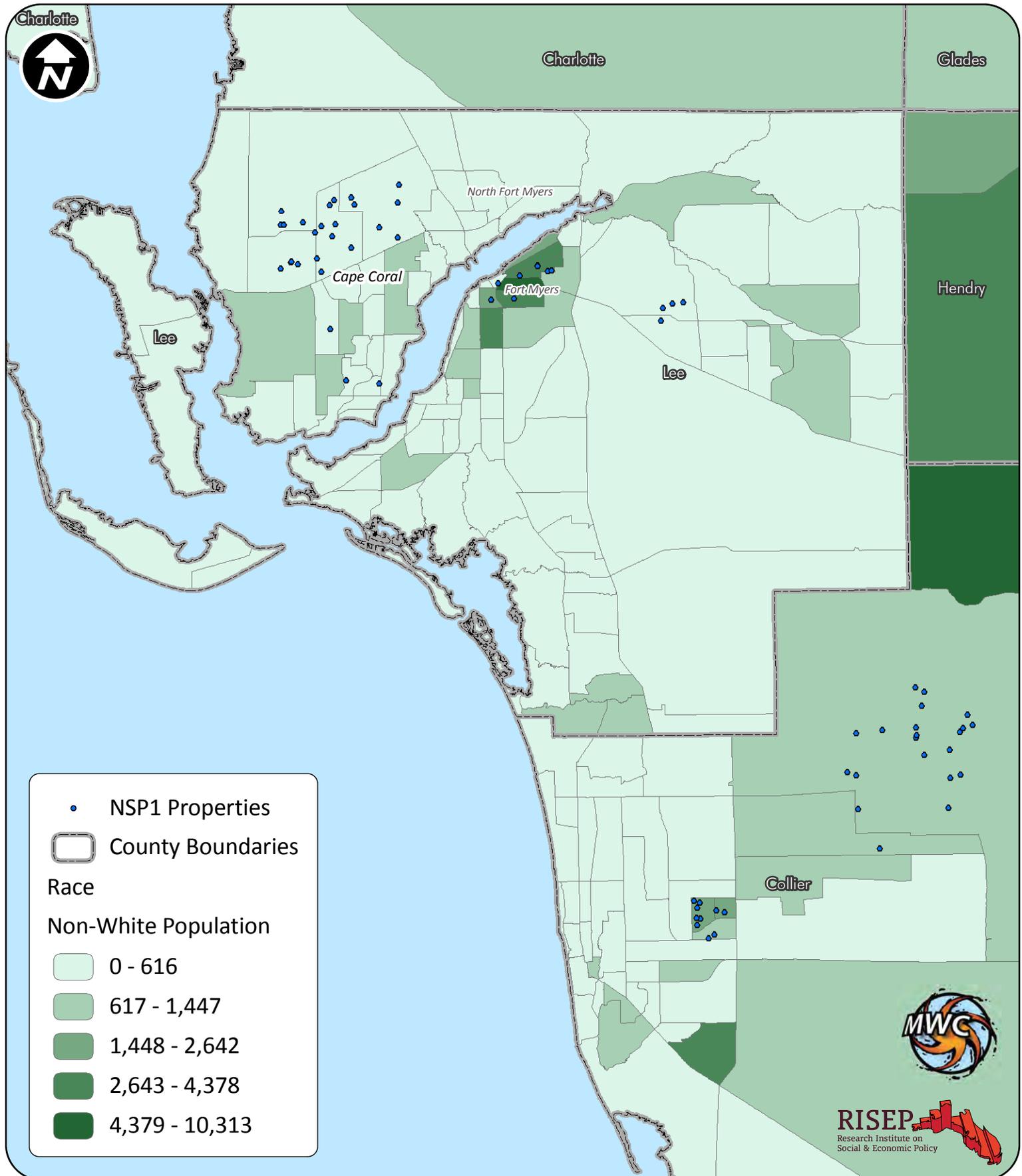
# Map 8: NSP1 and Race in Tampa

This map shows the relationship between non-White population and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



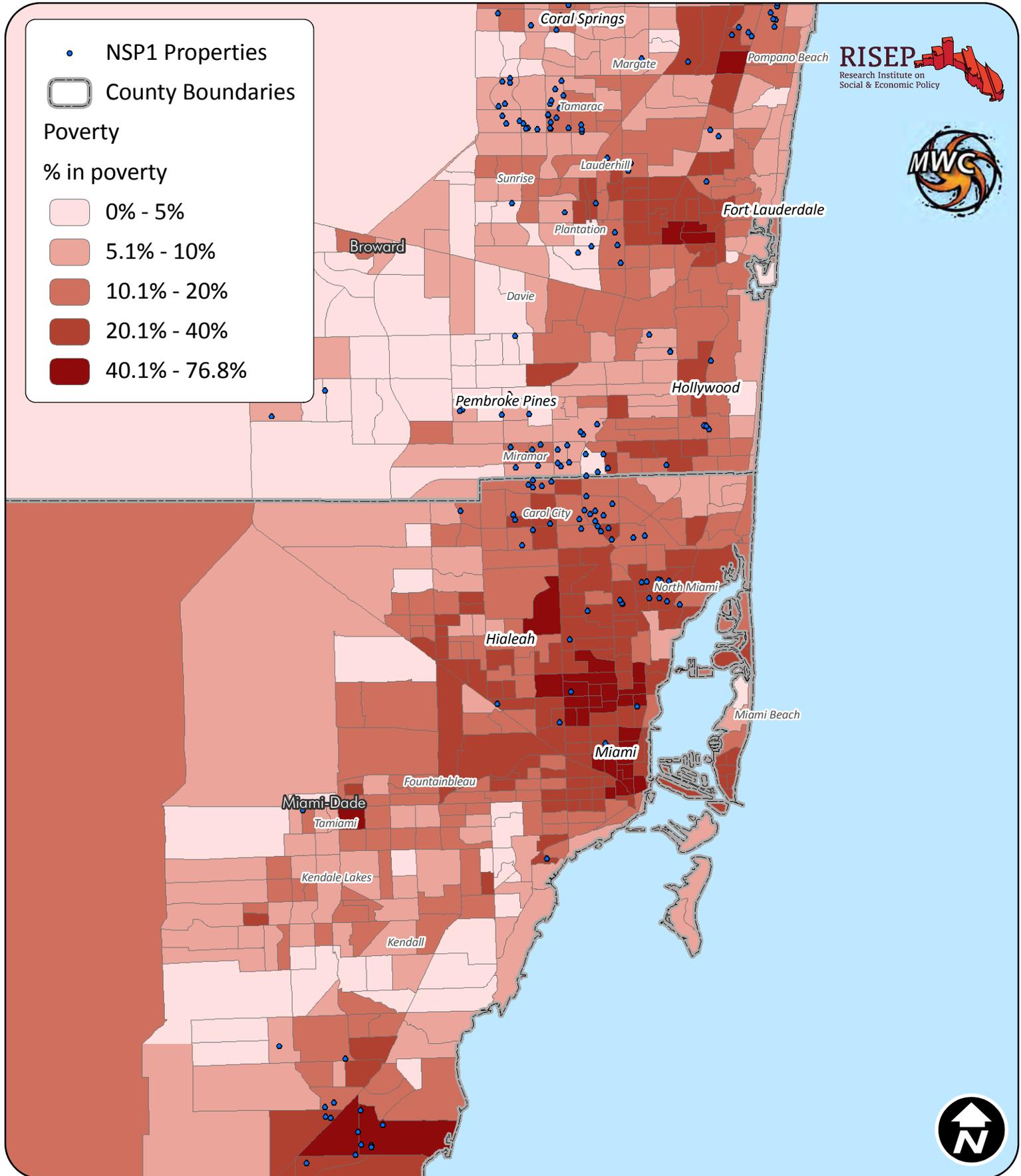
# Map 9: NSP1 and Race in Cape Coral, Fort Myers, and Collier County

This map shows the relationship between non-White population and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



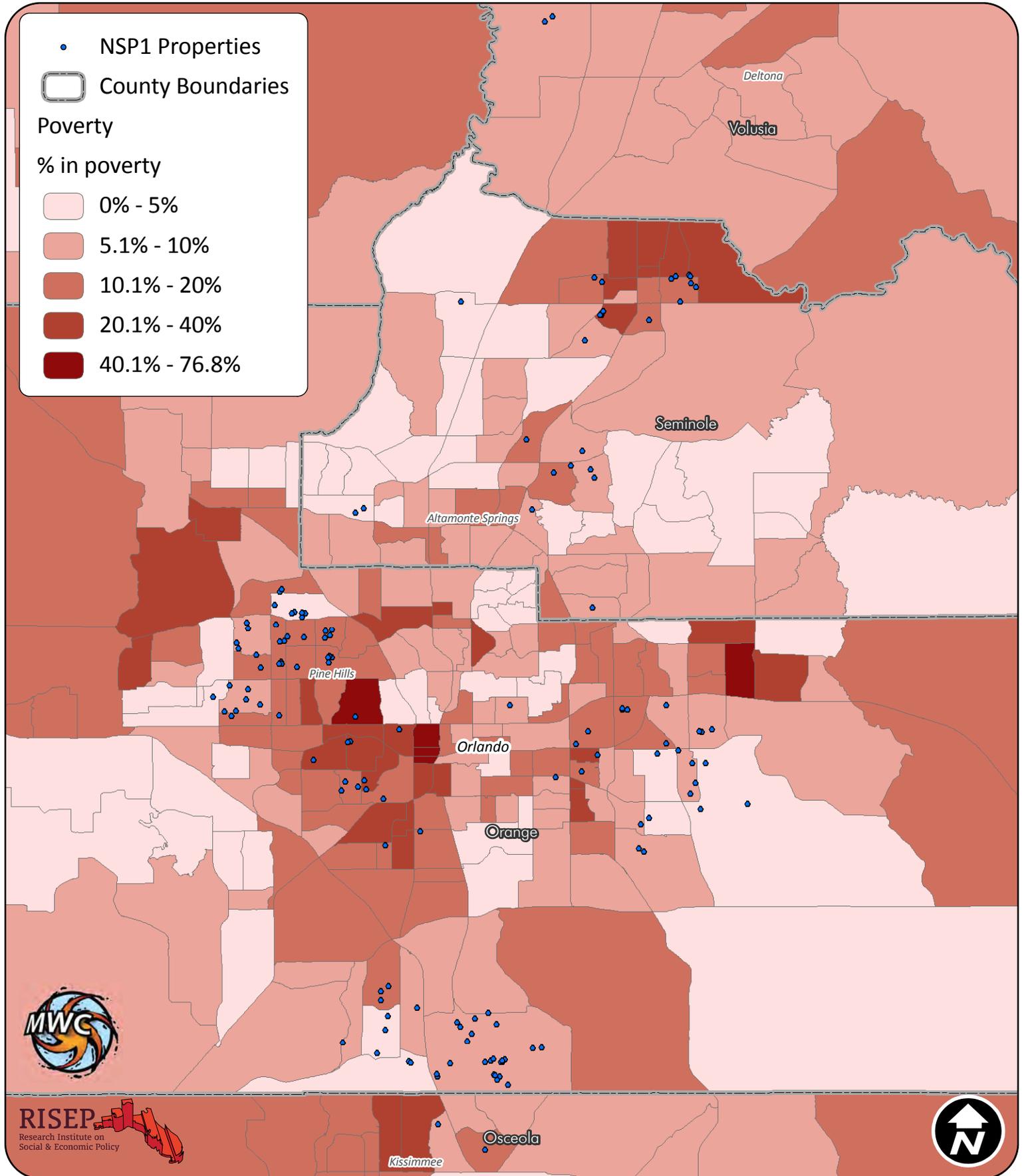
# Map 10: NSP1 and Poverty in Miami

This map shows the relationship between poverty and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



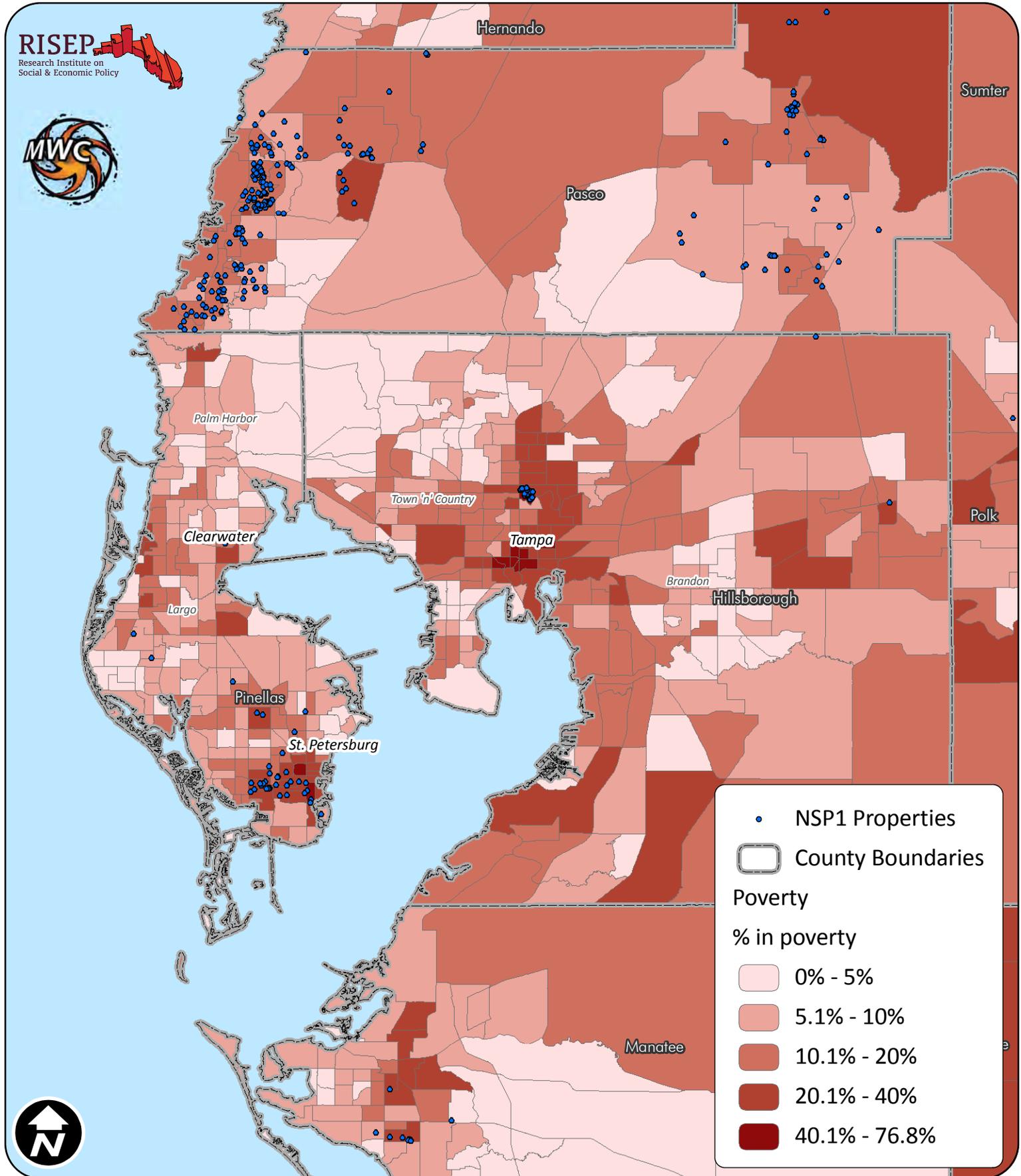
# Map 11: NSP1 and Poverty in Orlando

This map shows the relationship between poverty and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



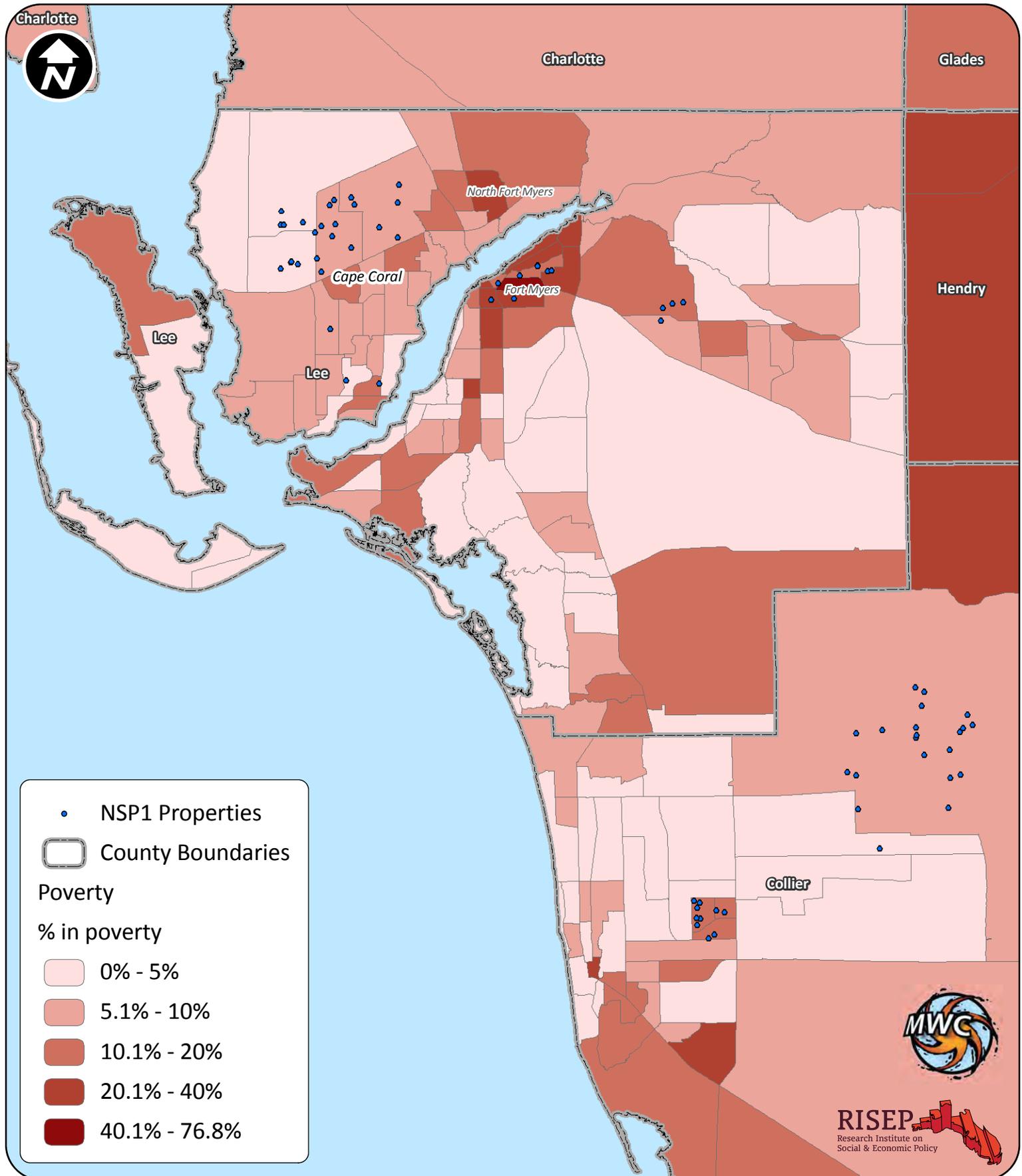
# Map 12: NSP1 and Poverty in Tampa

This map shows the relationship between poverty and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



# Map 13: NSP1 and Poverty in Cape Coral, Fort Myers, and Collier County

This map shows the relationship between poverty and the location of properties that have been purchased with funds from the Neighborhood Stabilization Program (NSP). Data sources include the NSP1 quarterly reports, and the U.S. Census Bureau (2000).



# NOTES ON INDICATORS AND METHODOLOGY OF CALCULATING OPPORTUNITY SCORES

## OPPORTUNITY INDICATORS

The following notes and source information pertain to the indicators utilized in the opportunity index. Discussion of the relationship between each indicator and high or low-opportunity is included in the body of the report.

### Indicators of Educational Opportunity:

*Note: All data pertaining to school quality was collected and analyzed for elementary schools only, the larger number of elementary schools (and smaller catchment areas) enabled a more precise geographic analysis of opportunity than high schools or middle schools which have larger catchment areas.*

1. Educational Attainment of Adult Population:

This data represents the highest level of education attained by adults. Education attainment is a positive indicator of opportunity. Low levels of education attainment have been linked to employment in low wage earning jobs<sup>1</sup>. Completing high school or college is an important educational accomplishment that yields many benefits, such as better job opportunities and higher earnings<sup>2</sup>. Thus a higher percentage of this indicator has a **positive** effect on the overall opportunity.

*Data Source: Census 2000 data*

2. School Poverty (Economically Disadvantaged Students):

This data represents the percentage of students eligible for free and reduced lunch in 2007. This is the most common indicator traditionally used to identify student poverty. School data shows that schools with higher percentage of economically disadvantaged students have lower academic test scores. Lower test scores, coupled with other indicators of low socioeconomic status, provide fewer opportunities for higher education and eventually, fewer job opportunities<sup>3</sup>. Thus higher percentage of this indicator has a **negative** effect on the overall opportunity.

*Data Source: Florida Department of Education, 2007-2008*

3. Teacher Qualifications (Master's Degree or Above):

This data represents the percentage of teachers with a Master's degree or higher. According to a study by The Brookings Institution, the data collected by haycock suggests that poor kids are generally in classrooms staffed by least experienced

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<sup>1</sup> Poverty Fact Sheet Series, Ohio State University Extension Fact Sheet, <http://ohioline.osu.edu/hyg-fact/5000/5707.html>

<sup>2</sup> Educational Attainment, National Center for Educational Statistics, July 2000, <http://nces.ed.gov/pubs2000/2000010.pdf>

<sup>3</sup> Choosing Colleges: How Social Class and Schools Structure Opportunity, Patricia M. McDonough, SUNY Press, 1997

teachers compared to better-off schools<sup>4</sup>. Teacher qualifications and experience is an important factor in providing better educational opportunity. Thus higher percentages in this data set have a **positive** effect on the overall opportunity.

*Data Source: Florida Department of Education, 2007-2008*

4. FCAT Scores (Math and Reading scores):

This data represents the proportion of 3<sup>rd</sup> graders proficient in Math and Reading. The percentage of students meeting or exceeding the state standards is used as an indicator of school performance. A higher percentage would mean better quality education and greater opportunity of these students to pursue higher education. Thus higher value of this indicator has a **positive** effect on the overall opportunity.

*Data Source: Florida Department of Education, 2007-2008*

### **Indicators of Economic Opportunity and Mobility:**

1. Unemployment Rates:

This data represents the estimated unemployment rate of workers 16 years and above for the year 2000. Higher rates suggest low job opportunity in the area thus affecting the overall opportunity **negatively**.

*Data Source: Census 2000 data*

2. Population on Public Assistance:

This data represents the percentage of population receiving public assistance. Census tracts with higher percentages suggest low economic opportunity, fewer jobs, thus more people depending on state welfare system to survive. Thus higher value of this indicator has a **negative** effect on the overall opportunity.

*Data Source: Census 2000 data*

3. Proximity to Employment (Jobs within 5 miles):

This data represents the number of jobs available within 5 mile radius of census tract, called a 5-mile buffer. The data is interpolated to the 5 mile buffer and assigned to the respective census tract. The higher values of this data set suggest better job opportunity. Thus this indicator has a **positive** effect on the overall opportunity.

*Data Source: County Business Pattern*

4. Economic Climate (Change in number of jobs within 5 miles):

This data represents the change in number of jobs in a four year period (2002 – 2006). County Business Pattern zip code data is used to interpolate job change at census tract level. County Business Patterns (CBP) data contains information for all business establishments with one or more paid employees by zip codes. Available jobs for each zip code within the study area are calculated for both the years. These values are interpolated to the 5 mile buffer of the center of each

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<sup>4</sup> Brookings Papers on Education Policy 2004, [http://muse.jhu.edu/journals/brookings\\_papers\\_on\\_education\\_policy/toc/pep2004.1.html](http://muse.jhu.edu/journals/brookings_papers_on_education_policy/toc/pep2004.1.html)

census tract. Based on these values, the difference of jobs is calculated for each record. A positive change suggests growth in number of jobs and vice versa. Thus this indicator has a **positive** effect on the overall opportunity.

*Data Source: County Business Pattern*

5. Mean Commute Time:

This data represents the mean commute time for each worker who works outside home. Census 2000 data provides aggregate commute time to work and total workers who do not work at home. Higher commute times are an indicator of long distances from job markets. Higher values for this data set also means that workers have relatively less time to attend to their personal needs compared to workers who spend less time traveling. Thus this indicator has a **negative** effect on the overall opportunity.

*Data Source: Census 2000 data*

6. Business Vacancy Rate:

This data represents percentage of estimated vacant businesses in 2000 in relation to overall business stock. This data is calculated by dividing the number of vacant business units by the total number of business units in each census tract. A higher value of this indicator suggests an unstable business climate. Thus this indicator has a **negative** effect on the overall opportunity.

*Data Source: HUD User*

### **Indicators of Housing and Neighborhood Conditions:**

1. Proximity to Toxic Waste Release Sites:

This data represents the number of toxic waste release sites within each census tract. Toxic Waste release site data is extracted from the EPA website. Number of sites within each census tract is calculated. Studies have shown the correlation between proximity to such sites and health effects. Research has also shown the adverse effect of the location of these sites on house value. Taking these externalities into account, this indicator has a **negative** effect on the overall opportunity. This measure is inversely related to opportunity.

*Data Source: Environmental Protection Agency*

2. Poverty rates:

This data represents the proportion of the population meeting Census Bureau poverty criteria in 2000. Higher percentages mean more people at or below poverty level. Thus this indicator has a **negative** effect on the overall opportunity.

*Data Source: Census 2000 data*

3. Median Owner Occupied Home Values:

This data represents the median home values in 2000 for all census tracts within the study area. Higher values suggest better housing stock indicating better schools, stable neighborhood and better quality of life. Thus this indicator has a **positive** effect on the overall opportunity.

*Data Source: Census 2000 data*

4. Housing Vacancy Rates:

This data represents percentage of estimated vacant houses in 2000 in relation to overall housing stock. This data is calculated by dividing the number of vacant housing units by the total number of housing units in each census tract. A higher value of this indicator suggests an unstable neighborhood. Thus this indicator has a **negative** effect on the overall opportunity.

*Data Source: HUD User*

5. Home Ownership Rates:

This data represents percentage of estimated owner occupied houses in 2000 in relation to overall housing stock. This data is calculated by dividing the number of owner occupied housing units by the total number of housing units in each census tract. A higher value of this indicator suggests a stable neighborhood. Thus this indicator has a **positive** effect on the overall opportunity.

*Data Source: HUD User*

6. Crime Rates:

This data represents the crime rate of census tracts summarized by local police jurisdiction in the region. Since the local data is available for a larger region than the census tracts, all census tracts within the jurisdiction are assigned the same value. This measure ignores any local variations within the jurisdiction. Since high crime rates are associated with poor, unstable neighborhoods, this indicator has a negative effect on the overall opportunity.

*Data Source: Florida Department of Law Enforcement*

## NOTES ON GEOGRAPHIC INFORMATION SYSTEMS TECHNIQUES AND STATISTICAL METHODS

### **Calculating the Opportunity Index:**

The various opportunity indicators were analyzed relative to the other Census Tracts within the region by standardizing through the use of z scores. A z score is a statistical measure that quantifies the distance (measured in standard deviations) a data point is from the mean of a data set. The use of z scores allows data for a census tract to be measured based on their relative distance from the average for the entire region. The final “opportunity index” for each Census Tract is based on the average z score for all indicators by category. The corresponding level of opportunity (very low, low, moderate, high, very high) is determined by sorting all census tracts into quintiles based on their opportunity index scores. Thus, the census tracts identified as “very high” opportunity represent the top 20% of scores among census tracts. Conversely, census tracts identified as “very low” opportunity represent the lowest scoring 20% of census tracts.

Z scores are helpful in the interpretation of raw score performance, since they take into account both the mean of the distribution and the amount of variability, the standard deviation. The z score indicates how far the raw score is from the mean, either above it or below in in standard deviation units. A positive z score is always above the median (upper 50%). A negative z score is always below the median (lower 50%) and a z score of zero is always exactly on the median or equal to 50% of the cases. Thus, when trying to understand the overall comparative performance of different groups with respect to a certain variable, we can assess how a certain group (of individuals, tracts, etc) is performing with respect to the median performance for the certain variable.

No weighting was applied to the various indicators, all indicators were treated as equal in importance.

## A Comparison of NSP1 and NSP2

### NSP1

### NSP2

The funds were authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008	<b>How were funds authorized?<sup>i</sup></b>	NSP2 funds were authorized under title XII of Division A of the American Recovery and Reinvestment Act of 2009
July 30, 2008	<b>When was legislation signed?</b>	February 17, 2009
\$3.92 billion	<b>How much was awarded?<sup>ii</sup></b>	\$1.93 billion with an additional \$50 million for technical assistance
Provides grants to all states and selected governments	<b>Who received funds?<sup>iii</sup></b>	Provides grants to states, local governments, and a consortium of nonprofit entities
Funds were determined by a formula established by HUD using criteria specified by HERA	<b>How were awards allocated?<sup>iv</sup></b>	Funds were awarded on a competitive basis
HUD awarded grants to a total of 309 grantees including 55 states and territories and 254 selected local governments. Each of the 50 states and Puerto Rico received a minimum award of \$19.6 million. Insular areas and the District of Columbia were also stipulated to receive a direct award. The other grantees that received direct awards were selected on the basis greatest need factors (e.g. highest rate of foreclosures, subprime mortgages, abandoned homes, etc) <sup>v</sup>	<b>Details of award recipients</b>	In January 2010, HUD awarded a combined total \$1.93 billion in NSP2 grants to 56 grantees nationwide. This included 33 consortiums at the regional level and four national consortiums carrying out activities in target areas throughout the country. These grantees were selected on the basis of foreclosure needs in their selected target areas, recent past experience, program design and compliance with NSP2 rules <sup>vi</sup>
Grantees have 18 months from the date HUD signed their grant agreements to obligate funds and four years to expend allocations <sup>vii</sup>	<b>What is the time period to use the funds?</b>	50% of funds must be expended within two years of receipt, 100% within three years <sup>viii</sup>
The purchase price must be at least 5% below the current market appraised value of the property and 15% on aggregate purchases	<b>What are the discount requirements?<sup>ix</sup></b>	Under NSP2, the requirements were adjusted to a minimum 1% for individual purchase discount and a 5% aggregate discount for NSP2-funded properties
At least 25% of funds must be used for people below 50% AMI	<b>What is the set aside requirement?<sup>x</sup></b>	At least 25% of funds must be used for people below 50% AMI
NSP money must benefit people with incomes below 80% AMI	<b>Who may benefit?</b>	NSP2 money must benefit people with incomes below 120% AMI
<ol style="list-style-type: none"> <li>1) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers</li> <li>2) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties</li> <li>3) Establish land banks for homes that have been foreclosed upon</li> <li>4) Demolish blighted structures</li> <li>5) Redevelop demolished or vacant properties<sup>xi</sup></li> </ol>	<b>What are eligible uses?</b>	<ol style="list-style-type: none"> <li>1) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers</li> <li>2) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties</li> <li>3) Establish land banks for homes <b>and residential properties</b> that have been foreclosed upon</li> <li>4) Demolish blighted structures</li> <li>5) Redevelop demolished or vacant properties <b>as housing</b><sup>xii</sup></li> </ol>

<sup>i</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development: Neighborhood Stabilization Program Grants. Retrieved from <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

<sup>ii</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development. Neighborhood Stabilization Program, NCDA Annual Meeting, June 17, 2009. Retrieved from, [http://www.google.com/url?sa=t&source=web&ct=res&cd=4&ved=0CA0QFjAD&url=http%3A%2F%2Fwww.ncdaonline.org%2Fevents%2F09AnnualPresentations%2FNSP%2520for%2520NCDA%2520%25206-17-09.ppt&rct=j&q=nsp+v+nsp2+summary&ei=2MbES5\\_jJYLgNciWgKAO&usg=AFQjCNH85Xk4zKz4qll\\_7kKXUL39gvgObA](http://www.google.com/url?sa=t&source=web&ct=res&cd=4&ved=0CA0QFjAD&url=http%3A%2F%2Fwww.ncdaonline.org%2Fevents%2F09AnnualPresentations%2FNSP%2520for%2520NCDA%2520%25206-17-09.ppt&rct=j&q=nsp+v+nsp2+summary&ei=2MbES5_jJYLgNciWgKAO&usg=AFQjCNH85Xk4zKz4qll_7kKXUL39gvgObA)

<sup>iii</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development. Program Grants. Retrieved from, <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

<sup>iv</sup> Winters, Michelle. Neighborhood Stabilization Program Round 2 – Consortia. Retrieved from [www.ct.gov/ecd/lib/ecd/LISC\\_NSP\\_2\\_Consortia\\_Presentation.ppt](http://www.ct.gov/ecd/lib/ecd/LISC_NSP_2_Consortia_Presentation.ppt)

<sup>v</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development: Neighborhood Stabilization Program Grants. Retrieved from <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

<sup>vi</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development: Neighborhood Stabilization Program 2. Retrieved from <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrfactsheet.cfm>

<sup>vii</sup> U.S. Department of Housing and Urban Development. Office of Community Planning and Development: Neighborhood Stabilization Program Grants, NSP1. Retrieved from <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1.cfm>

<sup>viii</sup> Winters, Michelle. Neighborhood Stabilization Program Round 2 – Consortia. Retrieved from [www.ct.gov/ecd/lib/ecd/LISC\\_NSP\\_2\\_Consortia\\_Presentation.ppt](http://www.ct.gov/ecd/lib/ecd/LISC_NSP_2_Consortia_Presentation.ppt)

<sup>ix</sup> Department of Housing and Urban Development. [Docket no. FR-5321-C-02]. Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009; Correction. Retrieved from [http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2\\_correction\\_nofa.pdf](http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2_correction_nofa.pdf)

<sup>x</sup> Department of Housing and Urban Development. [Docket no. FR-5321-C-02]. Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009; Correction. Retrieved from [http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2\\_correction\\_nofa.pdf](http://nls.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2_correction_nofa.pdf)

<sup>xi</sup> U.S. Department of Housing and Urban Development. Notice Implementing NSP Funds. Federal Register, Vol. 73, No 194, Monday, October 6, 2008. Retrieved from <http://www.nhlp.org/files/1.HUDNoticeImplementingNSPFunds.pdf>

<sup>xii</sup> U.S. Department of Housing and Urban Development. Notice of Fund Availability (NOFA) for the Neighborhood Stabilization Program 2 Under the American Recovery and Reinvestment Act, 2009. Docket No. FR-5321-N-01. Retrieved from <http://www.nhlp.org/files/2.NSP2NOFA.pdf>

# Florida



## NSP-1 State Report April 2010

Total Statewide Grant Amount = \$541.4 million

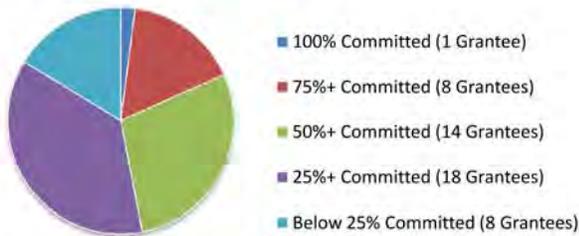
Total Number of Grantees in State = 49

Total Statewide Commitments:	\$289.5M	\$251.8M more must be committed by September 2010 (note 1)
Total Statewide Expenditures:	\$120.5M	\$420.8M more must be expended by March 2013 (note 1)
Committed Toward LH25 Goal (note 2):	\$76.7M	\$58.6M more must be committed by September 2010

<sup>1</sup> The statutory deadline to commit funds is 18 months after award date. The regulatory deadline to expend funds is 4 years after award date.

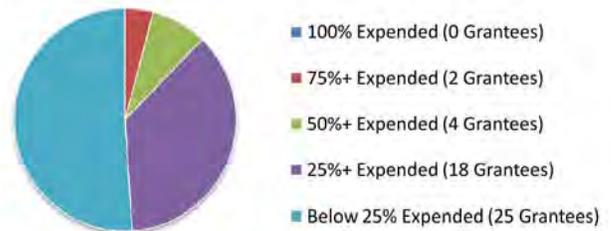
<sup>2</sup> A minimum of 25% of each NSP-1 grant must benefit Low Income households (LH25) at or below 50% of area median income.

### Grantee Performance on Commitments



The statutory 18 month commitment period expires in September 2010.

### Grantee Performance on Expenditures



The regulatory 4 year expenditure period expires in March 2013.

Florida State Wide Key Statistics (amounts are in millions of dollars)	Grant Amount	Amount Committed	Percentage of Grant Committed	Amount Expended	Percentage of Grant Expended	% of Total Grant	
						Committed to LH25	Expended to LH25
<b>Florida Total</b>	<b>\$541.4</b>	<b>\$289.5</b>	<b>53.5%</b>	<b>\$120.5</b>	<b>22.3%</b>	<b>14.2%</b>	<b>4.2%</b>
Boynton Beach, FL	\$3.0	\$0.8	25.7%	\$0.0	0.3%	25.0%	0.0%
Brevard County, FL	\$5.3	\$0.2	4.2%	\$0.0	0.0%	0.0%	0.0%
Broward County, FL	\$17.8	\$6.6	36.9%	\$4.0	22.6%	9.2%	7.4%
Cape Coral, FL	\$7.1	\$4.2	59.7%	\$3.1	43.4%	0.0%	0.0%
Collier County, FL	\$7.3	\$3.2	43.5%	\$3.0	40.8%	3.5%	3.5%
Coral Springs, FL	\$3.4	\$1.0	30.0%	\$0.7	21.8%	2.4%	1.8%
Dade County, FL	\$62.2	\$40.5	65.1%	\$3.3	5.3%	24.6%	0.0%
Deerfield Beach, FL	\$2.0	\$0.8	39.0%	\$0.3	17.4%	9.1%	7.0%
Deltona, FL	\$6.6	\$1.3	20.0%	\$1.2	18.4%	12.0%	12.0%
Escambia County, FL	\$4.6	\$2.6	56.6%	\$1.3	27.6%	22.7%	10.8%
Fort Lauderdale, FL	\$3.7	\$2.0	52.9%	\$0.5	13.9%	22.9%	10.3%
Ft. Myers, FL	\$2.3	\$1.7	75.0%	\$1.2	50.2%	37.1%	28.5%
Hialeah, FL	\$5.4	\$2.4	43.8%	\$0.0	0.0%	0.0%	0.0%
Hillsborough County, FL	\$19.1	\$5.7	29.8%	\$1.8	9.6%	0.0%	0.0%

# Florida



## NSP-1 State Report April 2010

Florida State Wide Key Statistics (amounts are in millions of dollars)	Grant Amount	Amount Committed	Percentage of Grant Committed	Amount Expended	Percentage of Grant Expended	% of Total Grant Committed to LH25	% of Total Grant Expended to LH25
Hollywood, FL	\$7.5	\$0.8	10.2%	\$0.1	1.5%	0.0%	0.0%
Homestead City, FL	\$2.9	\$1.6	55.2%	\$1.2	41.3%	17.3%	13.9%
Jacksonville-Duval, FL	\$26.2	\$20.9	79.8%	\$4.5	17.3%	27.8%	0.0%
Kissimmee, FL	\$2.4	\$2.2	93.7%	\$0.5	20.9%	25.3%	3.0%
Lake County, FL	\$3.1	\$1.5	47.9%	\$1.3	40.4%	8.8%	7.5%
Lakeland, FL	\$2.0	\$1.1	56.6%	\$0.8	40.3%	18.5%	7.4%
Lauderhill, FL	\$4.3	\$2.7	61.8%	\$2.7	61.8%	19.4%	19.4%
Lee County, FL	\$18.2	\$11.1	60.9%	\$6.2	34.2%	8.5%	3.6%
Manatee County, FL	\$5.3	\$2.5	46.4%	\$1.5	27.7%	27.1%	20.4%
Margate, FL	\$2.1	\$1.0	46.3%	\$0.6	26.3%	17.4%	10.7%
Marion County, FL	\$6.3	\$3.0	48.0%	\$1.4	22.0%	6.2%	3.8%
Miami Gardens City, FL	\$6.9	\$5.1	73.6%	\$2.6	38.5%	9.0%	1.8%
Miami, FL	\$12.1	\$6.1	50.3%	\$0.7	6.1%	27.2%	0.0%
Miramar, FL	\$9.3	\$2.4	25.7%	\$1.2	12.7%	5.6%	2.6%
North Miami, FL	\$2.8	\$1.8	61.5%	\$1.8	61.5%	15.4%	15.4%
Orange County, FL	\$27.9	\$17.6	62.9%	\$13.7	49.1%	0.6%	0.6%
Orlando, FL	\$6.7	\$2.7	40.4%	\$2.4	36.1%	18.7%	14.8%
Palm Bay, FL	\$5.2	\$0.9	17.6%	\$0.9	17.6%	2.4%	2.4%
Palm Beach County, FL	\$27.7	\$10.3	37.0%	\$6.3	22.9%	4.3%	0.8%
Pasco County, FL	\$19.5	\$16.8	86.3%	\$15.0	77.2%	7.3%	5.6%
Pembroke Pines, FL	\$4.4	\$1.6	36.5%	\$1.0	22.1%	0.0%	0.0%
Pinellas County, FL	\$8.1	\$4.5	55.5%	\$3.8	47.4%	26.8%	26.8%
Plantation, FL	\$2.0	\$2.0	100.4%	\$1.5	76.4%	25.0%	15.9%
Polk County, FL	\$14.6	\$6.4	44.2%	\$4.1	27.9%	4.0%	2.4%
Pompano Beach, FL	\$4.4	\$4.2	97.3%	\$1.5	33.3%	25.0%	6.9%
Port St. Lucie, FL	\$13.5	\$5.0	36.8%	\$5.2	38.8%	13.5%	15.3%
Sarasota County, FL	\$7.1	\$6.9	97.2%	\$0.9	12.1%	25.0%	6.5%
Seminole County, FL	\$7.0	\$6.7	95.8%	\$3.8	54.4%	41.2%	27.6%
St Petersburg, FL	\$9.5	\$4.2	44.3%	\$2.6	27.3%	17.6%	5.4%
State of Florida	\$91.1	\$55.3	60.7%	\$4.8	5.3%	19.3%	2.2%
Sunrise, FL	\$3.5	\$0.4	10.1%	\$0.1	1.8%	0.0%	0.0%
Tamarac, FL	\$4.8	\$3.7	78.0%	\$2.2	46.3%	31.5%	17.7%
Tampa, FL	\$13.6	\$2.0	14.8%	\$1.5	10.7%	2.9%	1.5%
Volusia County, FL	\$5.2	\$1.0	19.2%	\$1.0	19.2%	6.7%	6.7%
West Palm Beach, FL	\$4.3	\$0.7	16.9%	\$0.7	16.9%	0.0%	0.0%

## **NSP2 Grant Chart**

State and Organization	Sum of Funding
<b>Alabama</b>	<b>20,000,000</b>
Housing Authority of the City of Prichard	\$ 20,000,000
<b>Arkansas</b>	<b>\$ 15,046,706</b>
City of Little Rock	\$ 8,602,359
City of North Little Rock, Arkansas	\$ 6,444,347
<b>Arizona</b>	<b>\$ 117,948,964</b>
Chicanos Por La Causa, Inc.	\$ 35,783,964
City of Phoenix	\$ 60,000,000
Pima County	\$ 22,165,000
<b>California</b>	<b>\$ 318,046,837</b>
Alameda County	\$ 11,000,000
Center for Community Self-Help	\$ 4,781,491
Chicanos Por La Causa, Inc.	\$ 30,795,385
City of Indio	\$ 8,310,000
City of Long Beach, California	\$ 22,249,980
City of Los Angeles	\$ 100,000,000
City of Modesto	\$ 25,000,000
City of Santa Ana	\$ 10,000,000
Habitat for Humanity International, Inc.	\$ 13,409,981
Housing Trust of Santa Clara County, Inc.	\$ 25,000,000
Los Angeles Neighborhood Housing Services, Inc.	\$ 60,000,000
Neighborhood Housing Services of Orange County	\$ 7,500,000
<b>Colorado</b>	<b>\$ 42,427,680</b>
Chicanos Por La Causa, Inc.	\$ 23,433,236
City & County of Denver Office of Economic Development	\$ 18,994,444
<b>Connecticut</b>	<b>\$ 231,362</b>
Center for Community Self-Help	\$ 231,362
<b>District of Columbia</b>	<b>\$ 22,547,367</b>
Chicanos Por La Causa, Inc.	\$ 1,082,085
DC Department of Housing and Community Development	\$ 9,550,562
National Housing Trust Community Development Fund	\$ 10,632,066
The Community Builders, Inc.	\$ 1,282,654

<b>Delaware</b>	<b>\$</b>	<b>10,007,109</b>
Delaware State Housing Authority	\$	10,007,109
<b>Florida</b>	<b>\$</b>	<b>348,311,034</b>
City of Sarasota	\$	23,000,000
Habitat for Humanity International, Inc.	\$	74,698,534
Housing Authority of the City of Tampa	\$	38,000,000
Lake Worth Community Redevelopment Agency	\$	23,237,500
Neighborhood Housing Services of South Florida, Inc.	\$	89,375,000
Neighborhood Lending Partners of West Florida, Inc.	\$	50,000,000
Palm Beach County	\$	50,000,000
<b>Georgia</b>	<b>\$</b>	<b>3,451,157</b>
Center for Community Self-Help	\$	3,451,157
<b>Illinois</b>	<b>\$</b>	<b>160,151,641</b>
Center for Community Self-Help	\$	3,299,543
Chicanos Por La Causa, Inc.	\$	13,551,959
City of Chicago	\$	98,008,384
City of Evanston	\$	18,150,000
Rock Island Economic Growth Corporation	\$	18,530,708
The Community Builders, Inc.	\$	8,611,047
<b>Indiana</b>	<b>\$</b>	<b>14,062,500</b>
The Community Builders, Inc.	\$	14,062,500
<b>Louisiana</b>	<b>\$</b>	<b>29,782,103</b>
New Orleans Redevelopment Authority	\$	29,782,103
<b>Massachusetts</b>	<b>\$</b>	<b>47,927,795</b>
City of Boston	\$	13,610,343
Massachusetts Housing Investment Corporation	\$	21,822,940
The Community Builders, Inc.	\$	12,494,512
<b>Maryland</b>	<b>\$</b>	<b>31,382,096</b>
Chicanos Por La Causa, Inc.	\$	5,289,216
Healthy Neighborhoods, Inc.	\$	26,092,880
<b>Michigan</b>	<b>\$</b>	<b>223,875,399</b>
Michigan State Housing Department Authority	\$	223,875,399

<b>Minnesota</b>	<b>\$</b>	<b>37,486,779</b>
City of Minneapolis	\$	19,455,156
City of Saint Paul	\$	18,031,623
<b>North Carolina</b>	<b>\$</b>	<b>4,687,500</b>
The Community Builders, Inc.	\$	4,687,500
<b>New Jersey</b>	<b>\$</b>	<b>46,826,965</b>
Camden Redevelopment Agency	\$	11,926,887
City of Newark	\$	20,759,155
Housing Authority of the City of Camden	\$	14,140,923
<b>New Mexico</b>	<b>\$</b>	<b>2,994,932</b>
Chicanos Por La Causa, Inc.	\$	2,994,932
<b>Nevada</b>	<b>\$</b>	<b>20,995,000</b>
Housing Authority of the City of Reno	\$	20,995,000
<b>New York</b>	<b>\$</b>	<b>36,116,799</b>
NYC Dept. of Housing Preservation and Development	\$	20,059,466
Habitat for Humanity International, Inc.	\$	10,536,327
The Community Builders, Inc.	\$	5,521,006
<b>Ohio</b>	<b>\$</b>	<b>175,214,547</b>
City of Columbus	\$	23,200,773
City of Dayton	\$	29,363,660
City of Springfield, Ohio	\$	6,101,315
City of Toledo	\$	10,150,840
Cuyahoga County Land Revitalization Corp.	\$	40,841,390
Hamilton County, Ohio	\$	24,068,968
State of Ohio	\$	25,422,148
The Community Builders, Inc.	\$	16,065,453
<b>Oregon</b>	<b>\$</b>	<b>6,829,635</b>
Oregon Housing and Community Services	\$	6,829,635
<b>Pennsylvania</b>	<b>\$</b>	<b>68,883,958</b>
Chicanos Por La Causa, Inc.	\$	8,735,967
City of Philadelphia	\$	43,942,532
City of Reading	\$	5,000,000
The Community Builders, Inc.	\$	11,205,459

<b>Tennessee</b>	<b>\$</b>	<b>30,470,000</b>
Metropolitan Development and Housing Agency	\$	30,470,000
<b>Texas</b>	<b>\$</b>	<b>53,605,067</b>
Chicanos Por La Causa, Inc.	\$	15,440,389
El Paso Collaborative For Community & Economic Development	\$	10,191,000
Habitat for Humanity International, Inc.	\$	27,973,678
<b>Virginia</b>	<b>\$</b>	<b>4,687,500</b>
The Community Builders, Inc.	\$	4,687,500
<b>Wisconsin</b>	<b>\$</b>	<b>36,001,568</b>
City of Milwaukee	\$	25,000,000
Habitat for Humanity International, Inc.	\$	11,001,568
<b>Grand Total</b>	<b>\$</b>	<b>1,930,000,000</b>

**Clarence Brown, Chief Operating Office**

Miami Dade County, Office of Community and Economic Development

**Donald Hadsell, Director of Housing and Community Development**

City of Sarasota

**Ann Kashmer, NSP Project Manager**

City of Miami, Department of Community Development

**Debra Reyes, President and CEO at Neighborhood Lending Partners, Inc.**

Neighborhood Lending Partners of West Florida

**George Romagnoli, Director of Community Development**

Pasco County

**Jamie Rowland, Senior Housing Specialist**

Osceola County

**Arden Shank, Executive Director and President of Neighborhood Housing Services of South Florida**

Neighborhood Housing Services of South Florida, Inc.

**Nicholas Shelley, Jacksonville Field Office Director**

Jacksonville, HUD Field Office

**Local interviews with community residents conducted by:**

Research Institute on Social and Economic Policy





## THE APPLICABILITY OF SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 TO NEIGHBORHOOD STABILIZATION PROGRAM FUNDING

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### Neighborhood Stabilization Program Funding<sup>1</sup>

The Neighborhood Stabilization Program (NSP) was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties.

**NSP 1**, a term that references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis. **NSP 2**, refers to NSP funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009, and provides grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis. The Recovery Act also authorized HUD to establish **NSP-TA**, a \$50 million allocation made available to national and local technical assistance providers to support NSP grantees.

NSP is a component of the Community Development Block Grant (CDBG) program. The CDBG regulatory structure is the platform used to implement NSP and the HOME program provides a safe harbor for NSP affordability requirements. NSP funds are to be used for activities that include, but are not limited to:

- Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties;
- Purchasing and rehabilitating homes and residential properties abandoned or foreclosed;
- Establishing land banks for foreclosed homes;
- Demolishing blighted structures; and
- Redeveloping demolished or vacant properties

NSP grantees can use their discretion to develop their own programs and funding priorities. However, at least 25 percent of their NSP funds shall be appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120 percent of area median income.

## Economic Opportunities for Low- and Very Low-Income Persons (Section 3)

Section 3 of the Housing and Urban Development Act of 1968 recognizes that the **normal expenditure** of certain HUD funds typically results in new jobs, contracts, and other economic opportunities; and when these opportunities are created, low- and very low-income persons residing in the community in which the funds are spent (**regardless of race and gender**), and the businesses that substantially employ them, shall receive priority consideration.

Section 3 is one of HUD's tools for ensuring that the expenditure of federal funds in economically distressed communities has a multiplier effect by targeting local low- and very low-income persons and qualified businesses for jobs, training, and contracting opportunities.

### Section 3 Applicability to NSP Funds

A grantee's combined investment in excess of **\$200,000** of NSP funding into projects arising in connection with **housing construction, demolition, rehabilitation, or other public construction** makes the requirements of Section 3 applicable to all individual properties that receive services with these funds –regardless of the actual amount that is spent on each individual unit/property.

Accordingly, the grantee shall ensure compliance with the statutory and regulatory requirements of Section 3 in its own operations, and those of covered contractors. These responsibilities include:

- 1) Making efforts to meet the minimum numerical goals found at 24 CFR Part 135.30;
- 2) Complying with the specific responsibilities at 24 CFR Part 135.32; and
- 3) Submitting Annual Summary reports in accordance with 24 CFR Part 135.90.

If covered contractors receive awards that exceed **\$100,000** for the construction and rehabilitation activities listed above, responsibility for Section 3 compliance is shared with that firm (with the exception of the submission of the Section 3 Annual report (Form HUD 60002), which must be submitted by the direct recipient of covered funds).

If **no contractor receives an award exceeding \$100,000**, responsibility for complying with the requirements of Section 3 stays with the grantee. Specifically, the grantee shall be responsible for awarding 10 percent of the total dollar amount of all covered contracts to Section 3 business concerns. Each recipient shall fulfill the responsibilities described below to meet the requirements of Section 3.

## Recipient Responsibilities Pursuant to Section 3 [24 CFR Part 135.32]

Each recipient of Section 3 covered financial assistance (and their contractors or subcontractors) are required to comply with the requirements of Section 3 for **new** employment, training, or contracting opportunities that are created during the expenditure of covered funding. This responsibility includes:

1. Implementing procedures to notify Section 3 residents<sup>ii</sup> and business concerns<sup>iii</sup> about training and employment opportunities generated by Section 3 covered assistance;
2. Implementing procedures to notify Section 3 business concerns about the availability of contracting opportunities generated by Section 3 covered assistance;
3. Notifying potential contractors completing work on Section 3 covered projects of their responsibilities;
4. Incorporating the Section 3 Clause (verbatim) into all covered solicitations and contracts [see 24 CFR Part 135.38];
5. Facilitating the training and employment of Section 3 residents and the awarding of contracts to Section 3 business concerns;
6. Assisting and actively cooperating with the Department in obtaining the compliance of contractors and subcontractors;
7. Refraining from entering into contracts with contractors that are in violation with the Section 3 regulations;
8. Documenting actions taken to comply with Section 3; and
9. Submitting Section 3 annual Summary Reports (form HUD-60002) in accordance with 24 CFR Part 135.90.

## Section 3 Compliance and NSP Funding

As with all other covered programs, the Department makes determinations regarding Section 3 compliance based upon the following:

1. Meeting the minimum numerical goals set forth at 24 CFR Part 135.30
  - a. 30 percent of the aggregate number of new hires shall be Section 3 residents; and
  - b. 10 percent of all covered construction contracts shall be awarded to Section 3 business concerns.
2. Recipients that fail to meet the numerical goals above **bear the burden of demonstrating why it was not possible.**
  - \* Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will allow the Department to make a determination regarding compliance.

## Section 3 Reporting Requirements

Each direct recipient of NSP funding is required to submit Section 3 summary data to the Economic Opportunity Division annually using form HUD-60002. This form can be submitted online at: [www.hud.gov/section3](http://www.hud.gov/section3).

Since NSP funding requires the submission of quarterly performance reports, grantees shall submit form HUD-60002 at the same time that the 4th quarter NSP report is submitted. The 60002 should reflect the cumulative employment, contracting, and training opportunities that were generated throughout the entire year.

## Section 3 Guidance and Technical Assistance

The Economic Opportunity Division in HUD Headquarters is committed to providing guidance and technical assistance to ensure compliance with the statutory and regulatory requirements of Section 3. For additional information, please refer to the following:

- [www.hud.gov/section3](http://www.hud.gov/section3)
- Section 3 Statute—12 U.S.C. 1701u
- Section 3 regulations—24 CFR Part 135
- [www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/)
- U.S. Department of Housing and Urban Development  
Economic Opportunity Division  
451 Seventh Street, SW Room 5235  
Washington, DC 20410  
202-708-3633 (this is not a toll free number)
- Email questions or comments to: [section3@hud.gov](mailto:section3@hud.gov)

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

<sup>ii</sup> Section 3 residents are defined as: 1) residents of public housing; or 2) individuals that reside in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and meet the definition of a low- or very low-income person as defined by HUD).

<sup>iii</sup> Section 3 business concerns are defined as one of the following: 1) businesses that are 51 percent or more owned by Section 3 residents; 2) businesses whose permanent, full-time employees include persons, at least 30 percent of whom are current Section 3 residents or were Section 3 residents within 3 years of the date of first employment with the business concern; or 3) businesses that provide evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in the two previous categories.

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## MIAMI WORKERS CENTER

*The Miami Workers Center helps working class people build grassroots organizations and develop their leadership capacity through community organizing campaigns and education programs. The Center also actively builds coalitions and enters alliances to amplify progressive power and win racial and economic justice.*

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## RISEP

*Research Institute on Social and Economic Policy at Florida International University publishes research and data on issues of concern to low and middle income workers and their families in Florida. Their work focuses on working conditions, low wage workers, working poverty, living wage law and minimum wage laws, and high road development.*

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## KIRWAN INSTITUTE

*A university-wide interdisciplinary research institute, the Kirwan Institute generates and supports innovative analyses of the dynamics that underlie racial marginality and undermine full and fair democratic practices in the United States and throughout the global community. Its work informs policies and practices to produce equitable change.*

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For more information on RISEP, Please contact [Emily Eisenhauer](#) | Email: [Eisenhae@fiu.edu](mailto:Eisenhae@fiu.edu)  
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