



PUBLIC FINANCE CLIENT ALERT

January 9, 2009

Neighborhood Stabilization Program

The Housing and Economic Recovery Act of 2008 that was signed into law on July 30, 2008 provides \$3.92B in emergency federal funds to stabilize neighborhoods impacted by foreclosed and abandoned homes. This Neighborhood Stabilization Program (NSP) is administered by the U.S. Department of Housing and Urban Development (HUD) and presents many interesting opportunities for developers and nonprofit organizations.

The funding is provided through HUD's Community Development Block Grant (CDBG) program and may be used to establish financing mechanisms, purchase and rehabilitate homes, establish land banks, demolish blighted structures and redevelop demolished or vacant properties. The funds were allocated to local jurisdictions with the greatest need based on a formula focused on home foreclosures, subprime mortgages and homes in default or delinquency. Each state received at least \$19M, but not every local government that receives CDBG funding received an allocation of NSP funds. However, HUD is encouraging the state-wide programs to direct NSP funds to areas with the greatest need.

Each grantee submitted their plans to HUD on December 1, 2008 and they have promised to expedite their review. Once the plans are approved by HUD, the funding will be made available in the form of low-interest loans and grants to implement the program's goals. This will happen quickly after the funds are made available since the regulations require that all funds must be "obligated" within 18 months after receipt. Funds are obligated for an activity when orders are placed, contracts are awarded, services are received and similar transactions have occurred that require payment by the state, unit of general local government or sub-recipient during the same or a future period.

75% of the NSP funds must be used to assist persons with incomes not exceeding 120% of the area median income. The remaining amount must benefit persons with incomes not exceeding 50% of the area median income. We expect that much of the 50% area median income funds will be utilized for rental projects.



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Kutak Rock LLP has assembled a team of attorneys focusing on this new program to leverage our national footprint and expertise in public finance to assist our clients in developing strategies to access these funds. Our attorneys have experience working closely with HUD on this new program and all aspects of the program regulations.

Please contact us to learn more about the Neighborhood Stabilization Program.

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