

Neighborhood Stabilization Program II Overview

The Neighborhood Stabilization Program (NSP) was established by the Housing and Economic Recovery Act of 2008 for the purpose of stabilizing communities that have suffered from foreclosures and abandonment by purchasing and redeveloping foreclosed and abandoned homes. This program was extended through the American Recovery and Reinvestment Act of 2009, which provides grants to states, local governments, nonprofits or a consortium of eligible entities on a competitive basis (NPS II). The US Department of Housing and Urban Development (HUD) allocated \$1.93 billion for NSP II and released a Notice of Funding Availability on May 4, 2009. More information about the NSPII program is available on the HUD website at: www.hud.gov/nsp.

Newark/Essex County Consortium Application Overview

Narrative Description Summary

In November of 2007, the City of Newark and the County of Essex created a unique regional public-private collaborative to address the escalating challenges associated with the dramatic increases in home foreclosures. The Newark/Essex Foreclosure Taskforce was established to work on the full spectrum of foreclosure issues, from homebuyer counseling and education to foreclosure prevention to mitigating the impact of foreclosures on individuals and neighborhood quality of life. The Taskforce has included ongoing participation of community development staff from the municipalities in Essex County most affected by foreclosure (Newark, Irvington, Orange, East Orange), NeighborWorks America Northeast Region, Enterprise Community Partners, the Local Initiative Support Corporation, the Department of Housing and Urban Development, the Federal Reserve Bank of New York, the New Jersey Housing Mortgage Finance Agency and Department of Banking and Insurance, Senator Menendez's office, researchers at Rutgers University's Bloustein School of Public Policy and Planning, attorneys at Legal Services of New Jersey and Essex-Newark Legal Services, the Seton Hall Law School, all the area's HUD-certified foreclosure crisis counseling agencies, and more than a dozen local community development agencies and advocacy organizations. The Taskforce has convened hundreds of volunteers to canvas low income neighborhoods with outreach and referral material, convened "Work Out" Fairs serving over 1,000 homeowners from across the region, including two events sponsored by the national Hope Now Alliance, and increased access to trained foreclosure counselors for hundreds of our residents.

The Newark/Essex Consortium NSP II application is an extension of the sustained, effective regional collaboration that was started with the Newark/Essex Taskforce. The City of Newark will serve as the Lead Applicant under NSP II with Taskforce participants and the following Consortium Members:

- The County of Essex
- The City of East Orange

- The Township of Orange
- The City of Irvington
- The City of Montclair
- Brand New Day
- Episcopal Community Development Corporation
- Housing and Neighborhood Development Services, Inc. (HANDS)
- HomeCorp.
- Ironbound Community Corporation
- Unified Vailsburg Service Organization
- The Community Loan Fund of New Jersey
- Make It Right Foundation
- Michaels Development Corporation
- RPM Development Corporation
- Fairmount Heights Development Corporation/HPDC
- Don Pedro Development Corporation

The Consortium will receive technical assistance and support from the National Community Stabilization Trust and from the National Development Council, to enhance acquisition of bank-owned properties, assist with financing and strengthen grant administration and management systems. In addition, the Consortium is working with CDC intermediaries and social purpose lenders to create a \$50 million loan fund to provide soft loans to CDC NSP II activities.

Neighborhood Stabilization Strategy Summary

Select neighborhoods in urban Essex County have struggled for decades with divestment and neglect, leaving them particularly vulnerable to the wave of aggressive, irresponsible mortgage lending that flooded the housing market between 2004 and 2007. The resulting concentrations of foreclosure and abandonment threaten to deepen the poverty of neighborhood residents, and to disconnect them even more thoroughly from the economic opportunities available in the relatively strong markets of suburban Essex County and the New York City metropolitan area. Without intervention, pockets of deteriorated, vacant housing will continue to spread, displacing former homeowners and tenants, weakening the tax base, and undoing years of progress toward neighborhood redevelopment.

The right kind of intervention, on the other hand, will reverse the recent wave of divestment, and create enough healthy neighborhood development to catalyze self-sustaining local housing markets with strong connections to the regional economy. The five municipalities that make up the heart of urban Essex County – Newark, Orange, East Orange, Irvington and Montclair – believe that the following ingredients are necessary to create this kind of catalytic change:

- Strategic targeting of limited financial resources to maximize impact;
- A comprehensive neighborhood development approach that supports housing development with public infrastructure investment, connection to employment

- Ongoing collaboration among local governments, community development groups, and neighborhood organizations to address the shared threats and challenges to sustainable homeownership and neighborhood quality of life.

The Neighborhood Stabilization Program offers an opportunity to act on this three-pronged development strategy in areas of urban Essex that have been most severely affected by the rise and collapse of the sub-prime lending market. The five urban Essex municipalities and the County government have joined with 11 non-profit and for-profit partners to form a consortium that seeks to implement this strategy for neighborhood stabilization, using NSP as a springboard.

Strategic Targeting of Resources

Given the large number of foreclosed and abandoned properties in urban Essex, and limited public and private funding, efforts to acquire, demolish, rehabilitate and redevelop properties with NSP II funds must be targeted and focused to have the maximum positive effect on each neighborhood. The consortium has identified target neighborhoods based on the nexus of four characteristics:

- 1) Need, as determined by HUD needs scores, high rates of foreclosed and abandoned homes, high housing cost burden and low socio-economic status of residents;
- 2) The presence of active, committed community development organization with capacity for real estate development and physical rehabilitation as well as a history of working in the targeted community to maximize resident engagement, neighborhood planning and organizing;
- 3) Sufficient existing or planned public and private institutions and investments to support ongoing neighborhood development once the rehabilitation projects have been completed; and
- 4) An availability of neighborhood services and amenities to maximize market feasibility and ensure that affordable, green and sustainable homes that are produced will be absorbed by the market.

Based on these criteria, as listed in the attached chart, the Consortium has targeted 11 neighborhoods, encompassing 24 census tracts in five municipalities that are best positioned for effective, targeted neighborhood stabilization.

Within these target areas, the consortium has identified several hundred specific properties which, when rehabilitated or redeveloped, are most likely to have a stabilizing effect within the neighborhood. Properties have been deemed “strategic” for neighborhood stabilization purposes to the extent that they are:

- in an extremely dilapidated or boarded condition and unlikely to be acquired and repaired within a reasonable time by profit motivated actors;
- in a high-visibility location, such as on neighborhood commercial corridors, near schools, libraries, public transit stops, places of worship, or other high traffic areas; and
- clustered rather than scattered, and close to other supportive public and private investments including stores, schools, or streetscape improvements.

General statement of use of NSP II funds

If successful, the Newark/Essex NSP II Consortium will use program funds to acquire and rehabilitate foreclosed and abandoned homes throughout target neighborhoods. NSP II funds will also be used to redevelop select vacant properties, including industrial sites and publicly-owned sites. To the extent that certain buildings pose a blight to the community, especially to the extent that they present an imminent health and safety risk, NSP II funds may also be used to engage in demolition or deconstruction. No NSP II funds will be used to displace low- and moderate-income residents.

In keeping with HUD regulations, all housing acquired, rehabilitated or built with NSP II funds will be available to residents making at or below 120% of the Area Median Income, with at least 25 percent of the funds used to support housing for residents at or below 50% of the Area Median Income.

All program funds must be obligated within 12 months of award, half spent within 18 months, and fully spent within 36 months.