

# MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

## NEIGHBORHOOD CONSERVATION INITIATIVE Preliminary Proposal Policies and Procedures



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# **MARYLAND NEIGHBORHOOD CONSERVATION INITIATIVE**

## **PRELIMINARY PROPOSAL / POLICIES AND PROCEDURES**

### INTRODUCTION

The State of Maryland has been notified of an allocation of up to \$26,704,504 of Neighborhood Stabilization Program (NSP) funding from the United States Department of Housing and Urban Development (HUD). These funds are authorized under Title III of Division B of the federal Housing and Emergency Recovery Act of 2008 (HERA). The funds are to be used to assist communities in addressing abandoned and foreclosed homes in neighborhoods that have been impacted by foreclosure and sub-prime lending. In large part, the administration of funds must comply with statutory regulations and requirements of the existing federal Community Development Block Grant (CDBG) program.

These funds will be administered by the Maryland Department of Housing and Community Development (DHCD) through the Neighborhood Conservation Initiative (NCI). The NCI will have two tracks:

1) At this time, DHCD is issuing a two-phase call for proposals in order to solicit Neighborhood Conservation strategies *from eligible local governments and Public Housing Authority applicants* as further described below.

2) In addition, DHCD has elected to set aside approximately 25% of the NSP allocation to be used in conjunction with the existing programs of DHCD's Community Development Administration (CDA). It is anticipated that this funding will be used for multi-family, transitional, shelter, Housing First and Group Homes. Eligible applicants will include non-profits, for-profits, local government and PHA's. Guidance for accessing this funding will be issued separately at a later date.

### NCI GOALS

- (1) To increase affordable workforce housing opportunities in neighborhoods most affected by foreclosure in coordination with local partners.
- (2) To maximize revitalization and stabilization impact in target "Conservation" neighborhoods, focusing and coordinating investment of local and State resources.
- (3) To complement ongoing foreclosure prevention activities of State and local partners.

HUD encourages each grantee to carry out its NSP activities in the context of a comprehensive plan for the community's vision of how it can make its neighborhoods not only more stable, but also more sustainable, competitive and integrated into the overall metropolitan fabric, including access to transit, affordable housing, employers, and services. DHCD will be asking local governments to establish target "Neighborhood Conservation Areas," and to propose investment strategies to stabilize these target areas.

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DHCD will make available data and mapping to assist applicants in identifying areas that are hardest hit by foreclosure and sub-prime lending in order to assist in making the determination of target areas.

The State is required to prepare an amendment to its 2008 Action Plan for use of HUD formula programs. To assist in the preparation of the amendment to the Action Plan, the State is soliciting Phase I preliminary proposals from eligible applicants. ***Applicants must submit a preliminary proposal through Phase I to be eligible to apply for grant consideration in Phase II.***

#### NCI APPLICATION PROCESS

Receipt of funding from NCI will follow a two-phase process.

##### *Phase I: Preliminary NCI Proposals*

Preliminary proposals are due by 12:00 noon on Wednesday, November 5, 2008. Preliminary proposals will provide an opportunity for eligible applicants to identify their prospective target Neighborhood Conservation Areas as well as provide a draft strategy for investment in these communities.

##### *Application Workshop:*

DHCD will be hosting a Phase II application workshop on Friday, November 7, 2008 at DHCD, 100 Community Place, Crownsville. Each applicant will be required to attend the workshop to discuss the Phase II Final Application.

##### *Phase II: Final NCI Application*

Final proposals are due by 5:00 p.m. on Thursday, January 15, 2009. Final applications will finalize the identification of Neighborhood Conservation Areas and will finalize local strategies for investment in these communities. Final applications will include documents such as Local Resolutions, evidence of citizen participation and certifications.

#### ELIGIBLE APPLICANTS

Eligible applicants are:

- CDBG Entitlement Jurisdictions
- CDBG Non-Entitlement County Governments
- Public Housing Authorities

Nonprofit organizations, municipalities, and other local stakeholders are strongly encouraged to work with the above eligible applicants on NCI proposals. Counties are strongly encouraged to work collaboratively with their local nonprofit partners.

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County PHA's must coordinate their proposals with their county governments. Municipal PHA's must coordinate with either their eligible county applicants or entitlement city applicants.

CDBG Entitlement jurisdictions are:

City of Annapolis	Anne Arundel County
City of Baltimore	Baltimore County
City of Bowie	Harford County
City of Cumberland	Howard County
City of Frederick	Montgomery County
City of Gaithersburg	Prince George's County
City of Hagerstown	
City of Salisbury	

CDBG Non-entitlement County Governments are:

Allegany County	Calvert County
Caroline County	Carroll County
Cecil County	Charles County
Dorchester County	Frederick County
Garrett County	Kent County
Queen Anne's County	St. Mary's County
Somerset County	Talbot County
Washington County	Wicomico County
Worcester County	

### **AWARD CRITERIA AND PRINCIPLES**

Phase I proposals will provide DHCD with information about the preliminary direction of local NCI strategies, types of activities and estimated numbers of outcomes.

Phase II applications for NCI funding will be rated and ranked by the following criteria:

- **Community Need:** Strategic allocation of resource to communities most affected by foreclosure and sub-prime lending.
- **Capacity & Readiness to Execute:** Ability of applicants and partners to implement proposed strategies within a limited timeframe.
- **Impact of NCI Strategy:** Strength and feasibility of proposed investment strategies for increasing affordable housing and neighborhood revitalization.

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- Partnerships, Leverage & Coordination: Strength of partnerships and committed matching support to implement NCI strategies, including coordination of varied State and local programs.

Phase I and II submissions should be based on the following *guiding principles*:

- Areas designated for NCI investment should be those that have experienced above average foreclosure or sub-prime lending activity but that also have significant assets that will allow them to rebound with modest investment.
- NCI strategies should consider a balance of approaches that provide for affordable workforce strategies, including rental and homeownership opportunities.
- Eligible applicants should, to the fullest extent possible, partner with capable nonprofits and other stakeholders in order to conceive and implement comprehensive neighborhood revitalization strategies.
- Local and State partners should coordinate investment strategies in order to maximize housing and neighborhood outcomes.
- Local and State partners should coordinate approaches to purchasing, renovating and reselling properties (particularly bank-owned REO's), maximizing discounts on the acquisition costs and minimizing redevelopment and disposition costs and, therefore, producing housing at the most affordable cost for the workforce.
- Housing counseling partners are important to the success of homeownership strategies. Applicants should address how they are supporting their local housing counseling partners.
- Investment strategies should incorporate "green" and energy efficient approaches to building construction and land development.

### **ELIGIBLE USES AND ACTIVITIES FOR NCI FUNDING**

Each activity funded under Neighborhood Stabilization must meet a CDBG national objective as stated in Title I of the Housing and Community Development Act of 1974. All activities and projects must meet the national objective of benefit to low and moderate income persons; however, for the purposes of these funds only, HUD has created a new income category of "middle income" which is for households between 80 and 120% of the area median income.

An additional requirement set forth by HUD is that a minimum of 25% of the State's HUD allocation must be used to purchase and redevelop abandoned or foreclosed upon homes that will be used to house individuals or families whose incomes do not exceed

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50% of the area median. While DHCD will largely address this requirement through its direct use of NSP funding, applicants are encouraged to incorporate strategies that will assist the State in meeting or exceeding the minimum goal of serving households at or below 50% AMI.

Eligible uses for NCI funds are:

1. to buy foreclosed homes;
2. to buy land and property;
3. to demolish or rehabilitate abandoned properties; or
4. to offer downpayment and closing cost assistance to low and moderate income homebuyers;
5. to create land banks to assemble, temporarily manage, and dispose of vacant land for eligible outcomes

The State has chosen to restrict activities to those that provide benefit through housing, benefit to a qualified area, and those that benefit a limited clientele. Below are examples of how funds can be used to meet the national objective:

Low-Moderate-Middle-Income - Housing Activities (LMMH): Providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median.

- ◆ Acquisition and rehabilitation of houses for homeownership
- ◆ Acquisition and rehabilitation of houses for rental use
- ◆ Construction of housing units for homeownership or rental
- ◆ Homeownership Assistance such as:
  - ◆ Downpayment assistance
  - ◆ Settlement costs
  - ◆ Shared Equity loans
  - ◆ Lease to Own Programs
  - ◆ Workforce Housing Programs
- ◆ Infrastructure for housing as part of the redevelopment
- ◆ Landbanks for redevelopment funds are imminent

Low-Moderate-Middle-Income – Area Benefit (LMMA): Benefitting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income.

- ◆ Grantees must identify the service area of each NSP-funded activity.
- ◆ Acquisition and demolition of abandoned or foreclosed upon structures
- ◆ Demolition of blighted structures
- ◆ Land banks if maintenance and demolition also take place
- ◆ Development of a park
- ◆ Construction of a community center

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Low-Moderate-Middle-Income - Limited Clientele Activities (LMMC): Serving a limited clientele whose incomes are at or below 120% of area median.

- ◆ Housing counseling for prospective purchasers/tenants
- ◆ Public facilities such as emergency shelters or group homes
- ◆ Construction of a senior center
- ◆ Construction of a daycare

*Please note that these funds cannot be used for foreclosure prevention activities.*

### NEIGHBORHOOD CONSERVATION STRATEGIES

Each applicant is required to submit draft and final Neighborhood Conservation Strategies through Phase I and Phase II proposals respectively. The Strategy will identify geographic neighborhoods and communities of greatest need including those:

- with the greatest percentage of home foreclosures;
- with the highest percentage of homes financed by a subprime mortgage related loan; and
- identified as likely to face a significant rise in the rate of home foreclosures.

The Neighborhood Conservation Strategy should consider the needs and input of the community or neighborhood that has been affected. Projects and plans of prospective partners should be incorporated. It should contain a description of net increases in affordable housing as well as describe why other non-housing projects should be included. The Strategy should consider development processes that incorporate green building practices and energy efficiency for rehabilitation and new construction of houses as well as water conservation approaches to land development. The Strategy should also summarize other neighborhood revitalization investments that have been made in target areas in recent years.

### DEFINITIONS Per 73 FR 58330

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

Blighted Structure: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

Foreclosed: A property has been foreclosed upon at the point that, under state or local law, the mortgage or tax foreclosure is complete. The title must have been transferred

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from a former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Land Bank: For the purposes of this funding, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties.

#### POLICIES AND REGULATIONS

Adjustable Rate Mortgages: No adjustable rate mortgages can be used by persons acquiring houses assisted with these funds. Mortgages must be for a fixed rate for a minimum of 30 years.

Davis Bacon Labor Standards: Davis Bacon will be required for new construction for projects over \$2,000.

Demolition: Applicants must provide projected outcomes for all properties demolished with these funds with the exception of land banking.

Eminent Domain: These funds can not be used in conjunction with properties acquired through eminent domain under the State's initiative.

Environmental Review: All activities and projects must comply with the 24 CFR Part 58.

Housing Counseling: Each homebuyer assisted with these funds is required to receive and complete at least 8 hours of homebuying counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. The counseling can be funded with these funds.

Priority Funding Areas: All new construction with these funds must be within a State designated Priority Funding Area.

Property Acquisition: All acquired properties must be acquired at a discount below their current appraised value. Each transaction will require a current appraisal completed within 60 days of an offer made for the property.

Relocation Activities: No funds can be used on relocation activities under the State's initiative. Only vacant properties may be acquired when using these funds. Temporary relocation is the exception to this policy.

Subprime Mortgages: No subprime mortgages can be used by persons acquiring houses assisted with these funds under the State's initiative.

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Uniform Relocation Act: All property acquisition is subject to the requirements of the Uniform Relocation and Real Properties Act. This applies to both voluntary and involuntary transactions.

#### PROPOSAL SUBMISSION

**Phase I preliminary proposals must be received by Wednesday November 5, 2008 by 12:00 p.m (noon). The applicant shall submit five (5) completed packages containing the completed preliminary proposal, target area map(s), the Neighborhood Conservation Strategy, and letters of interest or support from prospective local partners, including lenders.**

Proposals should be submitted to:

Cindy Stone  
Director  
Office of Community Programs  
Maryland Department of Housing and Community Development  
100 Community Place  
Crownsville MD 21032

#### QUESTIONS?

Contact:

Cindy Stone at 410/514-7256 or via e-mail at [stonec@mdhousing.org](mailto:stonec@mdhousing.org)  
or  
Anne Stringer at 410/514-7262 or via e-mail at [stringer@mdhousing.org](mailto:stringer@mdhousing.org)

*Applicants are reminded that the State will not reimburse you for activities initiated prior to a formal grant award, execution of a grant agreement, and successful completion of an environmental review.*