

Neighborhood Stabilization Program

Columbus Consolidated Government

Columbus, Georgia

Notice of Substantial Amendment to the Neighborhood Stabilization Program 1 & 3

1. Introduction

To provide financial relief during the Great Recession of 2008, congress enacted the Housing and Economic Recovery Act of 2008. Through HERA, state and local governments were allocated emergency assistance through the Neighborhood Stabilization Program (NSP). The NSP allowed units of local government to acquire and redevelop foreclosed properties and stem abandonment and blight within their communities. Foreclosed or abandoned properties were purchased and either rehabilitated, resold, or redeveloped in order to arrest neighborhood decline and stabilize neighborhoods.

The U.S. Congress has appropriated three rounds of NSP funding. The Housing and Economic Recovery Act of 2008 provided the first round of formula funding, commonly referred to as NSP1, and allocated \$3,117,039 to the city of Columbus. The American Recovery and Reinvestment Act of 2009 provided a second round of NSP funding, known as NSP2, which was allocated through a competitive process. The city of Columbus however, was not a recipient of NSP2 funding. The third and final round of NSP funding, NSP3, was provided as part of the Dodd-Frank Wall Street Reform Act of 2010 and allocated a formula amount of \$1,128,174 to the city of Columbus. Through various projects and activities, the use of NSP1 and NSP3 funds generated program income revenue. This revenue amounts to \$1,082,677 and can be used in continuation of the Neighborhood Stabilization Program eligible uses and activities.

The Columbus Consolidated Government is seeking to amend its Neighborhood Stabilization Program 1 and 3 (NSP1 & NSP3) to include NSP Eligible Use C: Land Banking as an eligible activity. Under this category, the Columbus Consolidated Government will appropriate \$1,082,677 of NSP program income to the Land Bank Authority of Columbus, Georgia for the purposes of stabilizing neighborhoods whose viability has been, and continues to be, damaged by the economic effects of properties that have been foreclosed upon and abandoned.

In addition, the Columbus Consolidated Government is also seeking to make an amendment to its Areas of Greatest Need. The City originally identified 4 areas of greatest need where NSP funds would be distributed to provide homeownership opportunities for individuals and families whose incomes do not exceed 120% of area median income. These areas of greatest need were based upon the number of foreclosures that occurred during 2007-2008. In order to reflect the current state of the housing market and thus serve more low-, moderate-, and middle-income individuals and families, the City will be expanding its target areas.

2. Eligible Uses of NSP Funding (Housing and Economic Recovery Act of 2008)

- A. 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.
- B. 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.
- C. Establish land banks for homes and residential properties that have been foreclosed upon
- D. Demolish blighted structures
- E. Redevelop demolished or vacant properties

3. Neighborhood Stabilization and Land Banking Eligible Activities

The Neighborhood Stabilization Program regulations issued by the Department of Housing and Urban Development (HUD) on September 29, 2008, provide the following description of a land bank: *“A land bank is a governmental or nongovernmental entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For purposes of the NSP program, 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. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.”*

The city of Columbus already has an established land bank, therefore the proposed NSP funds would be used to acquire, manage, maintain, and repurpose vacant, abandoned, and foreclosed properties through its land bank. The Land Bank Authority of Columbus, Georgia was created for the purpose of developing and promoting for the public good and general welfare by returning land which in in a nonrevenue-generating, nontax-producing status to an effective utilization status in order to provide housing, new industry, and jobs for the citizens of the City.

In implementing NSP funds, it is important to note that each eligible use above must meet national objective guidelines by HUD. For example, NSP funds used for land banking must correlate with an eligible activity under the CDBG program guidelines for acquisition and disposition ([24 CFR 570.201](#)). Under the NSP program, property must meet one of HUD's National Objectives for both acquisition and disposition related activities. The national objectives are listed below:

- Benefit low and moderate income persons (up to 120% of the area median income.)
- Prevent or eliminate slum and blight
- Meet an urgent need (i.e. disaster recover in the aftermath of a tornado)

Land banking activities can qualify under the National Objectives if an assisted land bank is not merely acquiring properties, but is also carrying out other activities intended to arrest neighborhood decline, such as maintenance, demolition, and facilitating redevelopment of

properties, HUD will, for NSP-assisted activities only, accept that the acquisition and management activities of the land bank may provide sufficient benefit to a low-, mod-, or middle-income area (LMMA) generally. Therefore, these activities meet a national objective prior to final disposition of the land banked property. HUD notes that the grantee must determine the actual service area benefitting from a land bank's activities, in accordance with the regulations. While land banking activities generally will meet the LMMA national objective, HUD does not believe the benefits of simply holding property are sufficient to stabilize most neighborhoods. Because of this, HUD is requiring eligible re-use of property within 10 years of acquisition.

The Land Bank Authority of Columbus, Georgia will be able to acquire, maintain, and dispose of properties under Eligible Use C, and can redevelop them using NSP funding under Eligible Use E. Land banks may dispose of properties acquired or improved with NSP funds in several ways:

Acquisition - NSP funds can be used by land banks to acquire property by purchase, long-term lease, donation, or otherwise, or real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, subject to the limitations of § [570.207](#). Using NSP funds, land banks can engage in the acquisition of foreclosed¹ upon properties.

Disposition – A land bank may dispose of properties in several ways, based on how the activity meets the national objectives and how much NSP funding the grantee has invested in acquisition and improvements. In general, NSP rules require that a property meet a national objective for both the acquisition and the disposition. The land bank can dispose of land through sale, lease, donation, or otherwise, of any real property acquired with NSP funds or its retention for public purposes, including reasonable costs of temporarily managing such property or property acquired under urban renewal, provided that the proceeds from any such disposition shall be program income subject to the requirements set forth in § [570.504](#).

(Temporarily managing includes maintenance, assembly, facilitating the redevelopment of, and marketing of land banked properties. NSP funds may be used for basic, reasonable maintenance intended to stabilize the property. HUD interprets this to include ongoing maintenance such as board-up, lawn-mowing, spot repairs, and other related functions that keep the property in a condition that stabilizes the neighborhood.)

Demolition – A land Bank can demolish any and all structures and make improvements to the land banked property using NSP funds as long as the property is considered “blighted”. This means that commercial, industrial, or other types of structures may be demolished in addition to homes and residential structures in areas of

¹ *NSP Notice Definition Update: Foreclosed:* A home or residential property has been foreclosed upon if any of the following conditions apply:

- 1.) The property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency,
- 2.) The property owner is 90 days or more delinquent on tax payments,
- 3.) Under state, local, or tribal law, foreclosure proceedings have been initiated or completed,
- 4.) Foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, contractor, sub recipient, developer, or end user.

greatest need. If the property is demolished, a project specific environmental review is required.

In general, when demolition is pursued, an end-use should be identified that meets a national objective. There are some cases in which the demolition itself may be an end-use in itself. First, in a low-, mod-, or middle-income area (LMMA), if the property creates an extreme danger to public health or safety (like a meth lab or collapsing structure), then it can be considered a low-income area benefit. Second, if the demolition is done in concert with a coordinated program of redevelopment and/or rehab and/or new construction and/or other improvements, including other demolition, in a target area, which together can reasonably be expected to improve the area, then it can also qualify as a low-income area benefit.

In most other cases, demolition of a property should lead to an eligible end-use and meets a national objective. Such eligible end uses could include housing (redeveloped on the property, sale (or donation) of the property as side lots to income eligible adjacent property owners, donation of the property to a community garden group, or use of the property as a public facility like a park.

Redevelopment – Land banks are able to acquire, maintain, and dispose of properties and redevelop them using NSP funding. In addition to homes and/or residential properties, NSP funds can be used to redevelop any property type. This includes commercial and industrial property. Property acquired for redevelopment need not be abandoned or foreclosed upon. The only stipulation for redevelopment is that a property **MUST** be vacant. Vacant properties includes both vacant land and properties with vacant structures on the land. Undeveloped “greenfield” sites, at the edge of development, may not be acquired as an eligible use of redevelopment.

While demolition of a property may take place within this period, demolition generally does not qualify as an end-use of the subject property. As such, demolished and vacant properties will usually require redevelopment. Examples of how these properties can meet end-use activities include:

- 1.) Residential Housing – Development may include: new construction; owner-occupied rehabilitation; rental development and rehabilitation. This housing must be made available to NSP eligible households (at or below 120% of area median income). All NSP funds used to acquire, maintain, demolish, redevelop and dispose of land banked properties contribute towards the total development subsidy, and are thereby subject to HUD’s approved federal subsidy limits per unit in the individual jurisdictions.
- 2.) Side-lot Disposition – Vacant or demolished lots shall be conveyed for residential purposes only to adjacent homeowners that are NSP income eligible.
- 3.) Community Facilities – This is defined as use for the social, cultural, and educational activities of a neighborhood or entire community. Such uses might include neighborhood or community centers, community gardens (i.e. urban agriculture), parks and recreational facilities. As land banking is geographically specific to approved income-eligible target areas, the beneficiary requirements for these activities have been satisfied. However, if

the property is to be conveyed to a public institution (for instance, a public hospital or university), then there will be a burden to demonstrate and report that a majority of the end-users meet the income requirements of the NSP program.

4.) Amendment to Areas of Greatest Need

The City originally identified 4 areas of greatest need based upon the number of foreclosures that occurred during 2007-2008. These 4 areas consist of 8 census tracts within Muscogee County that are currently eligible to receive NSP assisted projects.² The map below displays the rationale for seeking an amendment to the Areas of Greatest Need. In order to reflect the current state of the housing market and thus serve more low-, moderate-, and middle-income individuals and families, the City will be expanding its target areas. The exact boundaries to the Areas of Greatest Need will be contingent on HUDs approval after the 15

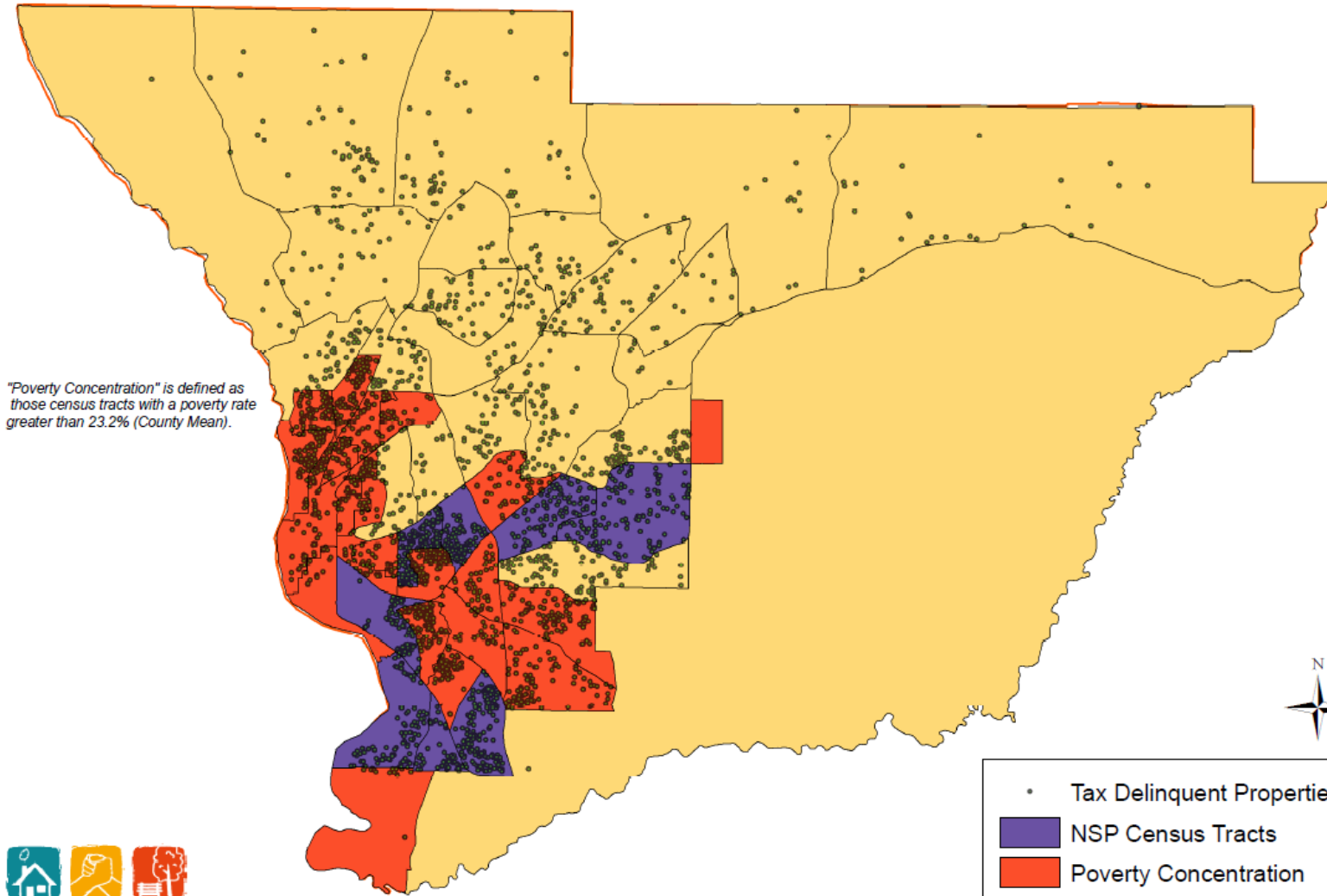
The expansion of the target areas is based on updated foreclosure data made available by HUD for use by NSP1 and NSP3 grantees. The data combines foreclosures, pre-foreclosures, real estate owned, and vacant property transactions from March 2011 through September 2012.

For NSP1 Grantees: The updated data is available to NSP1 grantees for use in determining and designating areas of greatest need.

For NSP3 Grantees: After May 21, 2013, all NSP3 grantees must begin using the updated foreclosure needs map when amending their currently approved target areas. NSP3 grantees may continue to work in target areas approved by HUD prior to the effective date of May 21, 2013. , but any amendments made to select new NSP3 target areas after May 21 must qualify based on information from the new maps and data.

² The current NSP approved Census Tracts are: Census Tract 27, 20, 22, 31, 33, 34, 106.02, 106.04

Amendment to Areas of Greatest Need Muscogee County, Georgia



"Poverty Concentration" is defined as those census tracts with a poverty rate greater than 23.2% (County Mean).



- Tax Delinquent Properties
- NSP Census Tracts
- Poverty Concentration
- Census Tract Boundaries

Data Source: 2017