

DRAFT 11-13-09

Substantial Amendment to State of Illinois Neighborhood Stabilization Program (NSP) Action Plan

The State of Illinois will initiate the following changes to the administration and program activities under the federal Neighborhood Stabilization Program (NSP), authorized under the Housing and Economic Recovery Act 2008 (HERA). Program guidance for NSP has been provided by the U.S. Department of Housing and Urban Development (HUD) in the Federal Register Notice of October 6, 2008, the NSP Bridge Notice of June 11, 2009, and other guidance releases.

Designation of lead grant administrator for Neighborhood Stabilization Program (NSP)

Illinois Governor Pat Quinn will authorize the transfer of the NSP grant administration and program implementation to the Illinois Housing Development Authority (IHDA) from the Illinois Department of Human Services (IDHS).

- The Illinois Housing Development Authority's mission is to increase the supply of quality affordable housing for Illinois residents of low and moderate income. IHDA provides financing and mortgage assistance to meet the housing needs of low- and moderate-income populations by leveraging State and federal resources with access to private capital. IHDA has direct administrative and program expertise for implementation of various federal housing programs including the HOME Investment Partnership, Low Income Housing Tax Credit, Project Based Section 8 Rental Assistance, and the recent American Recovery and Reinvestment Act (ARRA) resources of the HUD Tax Credit Assistance Program, and the Treasury Department's Section 1602 Exchange Program. In addition, IHDA is the State's lead agency for the federally mandated Consolidated Plan and State required annual Comprehensive Housing Plan, both of which seek to address the housing needs of underserved priority populations throughout State. IHDA will apply its development and finance expertise to reach priority populations in the State's efforts to implement the NSP.
- The Illinois Department of Human Services (IDHS) will continue to work with selected NSP sub-grantees to coordinate service funding and activities for those projects that address the State's goals to serve special needs populations.

All information and updates for the NSP for the State of Illinois will be provided on the website of the Illinois Housing Development Authority starting January 1, 2010. www.ihda.org

Prior to January 1, 2010, the NSP website will be maintained at the Illinois Department of Human Services www.dhs.state.il.us/nsp

Reallocation of NSP funding from Illinois NSP Entitlement Communities

If certain provisions outlined in the federal HERA legislation are not met, HERA Act provides authorization to HUD to reallocate NSP funds awarded to NSP Entitlement

Communities. Should HUD initiate actions to reallocate NSP funds from Illinois Entitlement communities to the State, the State of Illinois' approved NSP Plan Amendment identifies the priorities and standards for reallocation. To award these reallocated funds, the State will adopt any one (1) or a combination of the following options:

- Award funds to qualified projects that advanced to the final round of consideration but were not funded under the State's RFP and Application process. These applicants were determined to have strong capacity and readiness to proceed with project implementation. Projects under consideration for reallocated NSP funding would include qualified applications in designated areas of greatest need within the state, including areas of greatest need within the NSP Entitlement Community from where funding was reallocated.
- Allocate funds to Illinois NSP Entitlement Communities able to implement NSP eligible activities in areas of greatest need through demonstrated successful programs and processes and that meet the State's priorities and standards as already established.
- Solicit and select sub-grantees in areas of greatest need selected through a supplemental application process utilizing appropriate NSP eligibility criteria from existing rating criteria.

Should HUD reallocate additional NSP funds to the State of Illinois from NSP Entitlement Communities within the State, a full extension of the requirements for obligation of the funding would be requested.

Reallocation of NSP funding from State of Illinois Sub-grantees

If insufficient progress is being made and/or obligation of funds has not begun within three (3) months of executed NSP contract award to sub-grantees, the State reserves the right to rescind or reduce its original funding commitment. The State may exercise any one (1) or a combination of the following options to reallocate rescinded or reduced funding commitments:

- Increase awards to State awarded NSP sub-grantees in any of the three (3) NSP Geographic Categories that demonstrate progress and capacity to meet the NSP milestones and benchmarks timelines for fund for the grant obligation period;
- Review proposals from Illinois NSP Entitlement Communities able to implement NSP eligible activities in areas of greatest need through demonstrated successful programs and processes.
- Consider allocation of NSP funds to qualified eligible projects that advanced to the final round of consideration but were not selected identified during the State's RFP and Application process due to funding limitations;
- Initiate direct State implementation of eligible activities.
- Expedite a supplemental application process utilizing appropriate NSP eligibility criteria from previous and existing rating criteria.

NSP Statutory and Regulatory Changes Any changes or updates to NSP statutory, regulatory, notice, or guidance released by HUD or other federal authorities subsequent to the approval of the State of Illinois Substantial Amendment for the NSP Action Plan are assumed applicable and incorporated into the State’s approved NSP Action Plan without specific notice or inclusion in this or any subsequent Substantial Amendment to the NSP Action Plan.

For public information purposes certain key provisions (but not all) have changed and are noted below:

- ***Affordable Rent Levels***

The rent levels for NSP assisted properties shall follow the maximum “HIGH” and “LOW” HOME rents established by HUD for the HOME Investment Partnership Program for households at very-low and low income levels. Other rent levels under NSP are calculated based on extrapolation from the LOW HOME rents (50% area median income.) The State’s current **Schedule of Maximum Monthly Gross Rents for the Neighborhood Stabilization Program** is attached. Changes in the NSP rent schedule may occur based on changes in the annual HUD published HOME rent schedule; and will be updated on the NSP website.

- ***Program Income***

Revenue received by a state, unit of general local government, or subrecipient or sub-grantee that is directly generated from the use of CDBG funds (which term includes NSP grant funds) constitutes program income. The definition of program income contained in CDBG regulations at 24CFR 570.500(a) shall be applied to amounts received by states, units of general local government, subrecipients and sub-grantees.

Program income received after July 30, 2013 is no longer required to be returned to HUD for deposit in the U.S. Treasury.

The State of Illinois will develop systems for utilizing and reporting program income for NSP eligible activities in accordance with federal regulations and guidance. The State will work with sub-grantees to identify opportunities to utilize NSP Program Income for NSP eligible activities through return and reallocation of funding or through retention of program income at the project level.

- ***Property Purchase Discount***

Each foreclosed-upon home or residential property under NSP shall be purchased at a discount of at least 1 percent from the current market –appraised value of the home or property.

Public Comment

The public comment period for the Substantial Amendment to the State of Illinois NSP Action Plan will last fifteen (15) days, beginning November 13, 2009 and ending at the

close of business on November 27, 2009. During this public comment period, interested parties may retrieve and download the draft **Substantial Amendment to the NSP Action Plan** online at www.dhs.state.il.us/nsp and at www.ihda.org. All comments can be submitted by email at steven.e.shaw@illinois.gov or by mail to:

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