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Chicago Rehab Network's Comments on the City of Chicago Neighborhood Stabilization Program 3 (NSP 3) Substantial Amendment

Chicago Rehab Network represents a broad coalition of affordable housing advocates and non-profit community developers. Our members address the foreclosure crisis in hard-hit communities by engaging in mitigation efforts throughout the various steps along a foreclosure process. Our members include those who deal with the so-called "front-end", helping troubled owners avoid foreclosures, and members who are involved in the effort to address the "back-end"—putting foreclosed properties back to use.

The continuing foreclosure crisis threatens to undo decades of community development work in many Chicago neighborhoods. The Neighborhood Stabilization Program, part of a national response to the foreclosure crisis, aims to bring foreclosed and vacant properties back to use and stabilize the housing market. To date, the City of Chicago has been awarded \$166 million in Neighborhood Stabilization grants to address vacant and foreclosed properties, including this third round of NSP.

The NSP 3 Plan targets Areas of Greatest Need located in five Community Areas, all of which were deemed ineligible for NSP 2: **Belmont Cragin, Chatham, East Garfield Park, North Lawndale, and West Pullman**. With the exception of Belmont Cragin, all of these Community Areas were also targeted areas in NSP 1.

The Plan outlines four Eligible Uses and 6 Activities for the funds. Below is a matrix of each Use, Description, Target Beneficiaries, Unit Goal, and Resource Allocated under the Plan.

Eligible Use	Activity	Target Beneficiaries	Unit Goal	Resource Allocation	Per Unit Investment
Acquisition and Rehabilitation	Acquisition and Rehab of Foreclosed and Abandoned Homes (Low Income Set Aside)	Renters earning 50% or less than the Area Median Income	22	\$ 3,999,090	\$ 181,777
Acquisition and Rehabilitation	Acquisition and Rehab of Foreclosed and Abandoned Homes	Renters and Owners earning between 50% and 120% of AMI	30	\$ 5,298,726	\$ 176,624
Land Banking	Acquisition of Blighted Properties for Demolition and Land Banking	Area Benefit; All low-, moderate-, and middle income census tracts	20	\$ 400,000	\$ 20,000
Demolition	Demolition of Blighted Properties	Area Benefit; All low-, moderate-, and middle income census tracts	80	\$1,599,636	\$ 19,995
Redevelopment	Acquisition and Rehab of Vacant Properties	Renters and Homebuyers earning between 50% and 120% of AMI	18	\$ 3,099,272	\$ 172,182
10 Percent Cap on Planning and Administration Costs	Planning and Administration	N/A	N/A	\$1,599,636	N/A

RECOMMENDATIONS

Demolition

Unlike the Landbanking activity, the City does not outline a plan for disposition for the estimated 80 units under the Demolition activity. We strongly recommend that all vacant land resulting from the demolition of blighted structures are placed into a Land Bank for future redevelopment. **Furthermore, we recommend that the costs to demolish and maintain landbanked properties are reimbursed by any party who acquires the vacant land.**

Foreclosed and Abandoned

The Plan distinguishes Acquisition and Rehab for “foreclosed” and “abandoned” homes. Early last year, we highlighted the changes in HUD’s definitions of “abandoned” and foreclosed,” which could potentially increase the pool of eligible properties under NSP. According to the new definitions:

“**Foreclosed**” means (a) the property is at least 60 days delinquent on its mortgage and the owner has been notified; or (b) the owner is 90 days or more delinquent on tax payments; or (c) foreclosure proceedings have been initiated or completed; or (d) foreclosure proceedings have been completed and the title has been transferred to an intermediary that is not a NSP grantee, contractor, subrecipient, servicer, or end user.

“**Abandoned**” means properties where (a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or (b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or (c) the property is subject to a court ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property.

The City’s response at that time to include these new definitions was that amendments to its NSP plans were infeasible mid-implementation. The expanded definition would deepen the overall reach of NSP and improve in the communities with the greatest need. More importantly, the new definitions would also mean that NSP dollars can be used on occupied properties, and could effectively keep families in their homes. **Given these significant benefits, the City should use the expanded definitions of foreclosed and abandoned in this NSP 3 Plan.**

Section 3 and Jobs Creation

The NSP program is designed to be a jobs stimulus as well as a housing stimulus. Again, in the NSP 3, the City will use its existing NSP Section 3 process as a guide to hiring local residents. **We recommend instituting accountability and reporting mechanism for tracking the impact of local hiring under NSP. The Department of Housing and Economic Development’s Quarterly Housing Production Report is the appropriate forum for such reporting.**

NSP Participating Entities and Non-Profit Partnership

The identification and selection of qualified developers should prioritize nonprofit community organizations and developers. As place-based and mission-driven organizations, non-profit developers are best equipped to address the needs of its communities and determine the appropriate use of foreclosed properties. The City should also utilize and actively engage the expertise of local, community-based organizations in identifying properties that would be suitable for NSP.

Finally, based on the low completion numbers for NSP overall, we urge an evaluation of the program design to determine procedures and policies which can be altered to create more interest, flexibility and production.