City of Chicago
Neighborhood Stabilization Program

Developers Information Session

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Overview

- What is the Neighborhood Stabilization Program?
- City of Chicago's NSP Strategy
- Property Flow
- Developer Opportunities & Proposal Process
- Identifying Eligible Buyers
- Timeline and Next Steps
- Questions and Answers

How can foreclosure data guide initiatives?
Background

- In July, Congress passed the Housing & Economic Recovery Act of 2008, which included $3.92 billion for the Neighborhood Stabilization Program (NSP)
- Funds allocated to states and local units of government based on:
  - Number & percent of completed foreclosures
  - Number & percent of subprime mortgages
  - Number & percent of defaults & delinquencies
- Chicago’s allocation is $95.3 million

Eligible Uses of NSP Funds

- Establish financing mechanisms for purchase and redevelopment of vacant, foreclosed homes
- Purchase and rehab vacant, foreclosed homes, in order to sell, rent, or redevelop them
- Establish land banks for vacant, foreclosed homes
- Demolish blighted structures
- Redevelop demolished or vacant properties

NSP Requirements

- Serve households at or below 120% area median income (AMI), with 25% of funds targeted at households at or below 50% AMI
- Must obligate entire $85.3 million within 18 months of signing the grant agreement
- Restrictions in place to avoid over-improvements
- Single-family homes cannot be sold at a profit, but reasonable developer fee is an eligible cost
- For more info, see regulations at: www.hud.gov/nsp
Areas of Greatest Need

- NSP requires grantees to target funds in areas of greatest need, as evidenced by:
  - Number of completed foreclosures
  - Percentage of subprime loans
  - Likelihood of an increase in foreclosure
- City of Chicago identified 25 community areas as its NSP areas of greatest need, based on these criteria

Targeted Investments

- To make the most impact with our limited funds, the City must make very targeted investments.
- Identifying blocks where we can strategically acquire homes to help stabilize the community and protect recent investments
- Need to be able to acquire majority of vacant foreclosed properties on a block to make an impact

City of Chicago's NSP Strategy

- Designate one lead agency responsible for:
  - Negotiating discounted property purchases with lending institutions
  - Holding and maintaining properties in the short term
  - Coordinating and overseeing a broad network of pre-approved development partners on property disposition:
    - Sale to owner-occupants, Lease-purchase agreements
    - Rental
    - Demolition
- Mercy Portfolio Services, a subsidiary of Mercy Housing, Inc., will serve in this role
**Neighborhood Stabilization Program**

- Vacant, foreclosed properties
- NSP funds, via City of Chicago, leveraged with local private capital

*Chicago Neighborhood Stabilization Corp.* (non-profit, 501(c)(3))

*MPS provides staffing and management*

- Foreclose
- Vacate and board property
- Homeownership
- Lease to Purchase
- Rental (2 & 3 units)

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**Property Flow**

- **REOs in Target Areas**
  - Stated for Demolition
  - Demolish as Soon as Possible
  - Hold for Future Redevelopment

- Stated for Rehab
- Property Posted for Developer to Submit Proposal
- Developer Submits Proposal
- Property Acquired and Boarded
- Developer Proposal Accepted
- Property Renovated and Occupied, per Program Requirements

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**Developer Opportunities**

- All hands on deck: Rolling application process to become an approved NSP developer.
  - Process will begin in January 2009.
  - Developer will indicate areas of interest (e.g. geographic, rental/homesownership)
- Extent of participation will be based on criteria such as:
  - Previous development experience
  - Readiness
  - Financial feasibility
  - Property management capacity (for rental)
- Approved developers can submit proposal for acquired NSP properties.
  - Acquired properties will be posted online.
Developer Proposal Process

Our intention is that:
- Acquired properties, or groups of properties, will be posted online for pre-approved developers, who will review the properties, proposed scope/specifications, and regulatory requirements.
  - Before website is up, handled via email
- Proposals will be accepted for short time period.
- When possible, will seek to transfer property from MPS to developer immediately after acquiring from bank to increase efficiency.
- MPS will track the property and each developer's NSP portfolio; ensure regulatory compliance; track performance.
- Expect to receive proposals for single properties as well as groups of properties.

Identifying Eligible Buyers

- City and CNSC will also help identify eligible buyers and facilitate connections to end-financing.
- Marketing support through citywide campaign
- Homeownership counseling
  - 8-hour requirement
  - Coordinate with range of housing counseling agencies
- End-Financing & Lease-Purchase Opportunities
  - Self-Help Ventures Lease-Purchase product pilot in Chicago
  - NSP of Chicago Neighborhood Lending Program
    - $180 million, 3-year loan pool
      - On track to begin February 2009

Timeline and Next Steps

- Expect HUD-approval of NSP plan by end of December
- Expect to receive funds in January 2009
- Expect rolling developer application to be released in early January 2009