

Basics

Q1) What is the difference between Project Rebuild and the Neighborhood Stabilization Program (NSP)?

A. The American Jobs Act proposes Project Rebuild, which expands on the strong foundation created by NSP by providing more funding to treat more homes, adding eligibility for commercial redevelopment to balance needs for usage of vacant commercial structures in neighborhoods, and allowing private development companies to put their expertise to work. Many NSP grantees have demonstrated good results, but need substantially more funding to resolve the problems in their jurisdictions, given challenging market conditions.

Q2) How would the money be allocated? How does this allocation differ from previous NSP rounds?

A. HUD is proposing 2/3 of funds (\$10 billion) be allocated by formula and 1/3 (\$5 billion) by competition. The competitive portion of the program would apply legislative criteria to a selection process that takes into account needs, capacity and innovation. The formula element of Project Rebuild will likely parallel the formula that Congress originally laid out for NSP1. It will likely weigh home foreclosures, homes in default or delinquency, and other factors determined by HUD, such as unemployment, commercial foreclosures, and other economic conditions. It is designed to allocate funding to places that are hardest hit.

It is too early to project the precise allocations, since Congress could change the formula and the market conditions in each community are in continual flux. Minimum grant sizes may also change based on Congressional direction.

Q3) Who will be eligible to receive funds?

A. Funds would be allocated to states and local governments pursuant to a formula. In some cases, they will be expected to bring in for-profit or non-profit partners that will increase their capacity.

Competitive funds will be available to states, local governments, for-profit entities, non-profit entities and consortia of these entities.

Q4) What is the overall percentage for HUD administration and grantee capacity building?

A. We are proposing 0.75 percent of the funding for both purposes.

Q5) How much will my state or district get from this?

A. Allocations will depend on the specific formula. Proposed allocations by state may be available for review soon. Each state will receive a minimum of \$20 million.

Job Creation

Q6) How many jobs would be created by Project Rebuild? How many jobs were created by the previous rounds of NSP?

A. If enacted by Congress at the \$15 billion level, Project Rebuild will support nearly 200,000 jobs in the process of renewing America's neighborhoods and rebuilding our economy by improving property values and producing affordable housing.

By the time it is fully expended, we expect that the \$7 billion in prior NSP funding will have supported more than 88,000 jobs in the process of rebuilding urban, suburban and rural neighborhoods across the country.

Q7) What kind of jobs will be created under Project Rebuild?

A. Project Rebuild will support many direct jobs in high need areas, including real estate development, construction, property management and similar fields. Indirectly, the investment of \$15 billion will also create jobs in building supply companies, equipment sales, and related businesses. The economic activity created by Project Rebuild will also have ripple effects, such as stores selling groceries to the newly employed workers and new residents in revitalized neighborhoods.

Project Rebuild also allows grantees to use up to 10 percent of their funds to hire individuals to maintain eligible properties, spurring local job creation.

Another way that grantees can use the funds to create jobs is to incorporate commercial development with residential. For example, the Linda Vista Hospital in Los Angeles has been closed for twenty years. City leaders plan to redevelop the building into supportive housing for senior citizens with special needs. They hope to renovate the first floor for medical offices, but cannot use NSP funds for this purpose (source: City of Los Angeles Housing Department). More broadly, Project Rebuild could enable communities to redevelop basic services like grocery stores in central city and suburban neighborhoods, both hit hard by foreclosures.

Q8) Does this strategy compete with the private sector?

A. No. It brings public resources to complement the abilities of private developers. Both are needed to rebuild America's neighborhoods. The scale of the foreclosure problem is enormous, and addressing its impacts on neighborhoods will require the public and private sectors to work together. Project Rebuild takes a market-oriented approach, targeting resources where they are needed and can be effective. Project Rebuild provides the necessary funding to make the process of rebuilding American neighborhoods economically successful.

Timeline

Q9) How soon could Project Rebuild start making a difference?

A. If Congress enacts Project Rebuild, HUD would obligate all funding within 150 days of enactment, including both formula allocation and competitive grants. Formula funds would be allocated as soon as 30 days of enactment and some grants would be under contract within 90 days. HUD has already operated a competitive program for NSP2 and many additional procedures and policies are already in place to help expedite the funds.

Q10) How long will grantees have to expend the funding?

A. After HUD obligates the money to grantees, they will then have three years from receiving the grant to expend 100 percent of the funds. HUD will set benchmarks for expenditures at one and two years.

Q11) When will the competition be held for the competitive funds? What entities will be eligible to apply?

A. HUD intends to issue a notice of funds available as quickly as possible, complete the competition and obligate funds within 150 days. State and local governments, nonprofit entities, for-profit entities, and consortia of eligible entities will all be eligible to apply.

Grantee Capacity and Good Stewardship

Q12) Has NSP been effective?

A. Yes, NSP has been effective. NSP1 grantees have spent over 75 percent of the original \$3.92 billion allocation, with more than 16 months until the final expenditure deadline. NSP2 grantees have spent almost 26 percent of the \$1.93 billion in only 19 months. NSP3 grants are just getting started. Initial estimates show that 98,620 households will be served by the three NSP programs and that more than 88,000 jobs will be created in the process of rebuilding urban, suburban and rural neighborhoods across the country. HUD ensures that applicants have the capacity to accomplish their objectives, screens out bad actors, and provides technical assistance to ensure grantee success.

Comparing communities with NSP investment to similar communities without NSP investment shows that most clustered investment areas did better than at least one of their comparable markets during the time period studied:

- 67 percent saw better home sale price changes. (source: TRF using First American Core Logic)
- 73 percent saw better vacancy rate improvements. (source: TRF using US Postal Service)
- 47 percent saw better home sale and vacancy rate improvements. (source: TRF)

Q13) What kind of help will be provided for applicants or recipients that may lack capacity?

A. HUD has implemented a powerful capacity building technical assistance (TA) program for NSP which identifies implementation issues and assists grantees in solving difficulties and getting their NSP programs on track. Prior to providing major on-site technical assistance, HUD requires that an NSP TA provider complete a thorough needs assessment of the grantee, its partners, and its program to shape the technical assistance to best target critical implementation issues. As a result of such capacity building efforts, most NSP grantees now have the necessary capacity to successfully implement a workable program. Project Rebuild will build on the structure and success of NSP TA, and provide any additional capacity building assistance necessary to ensure grantees meet their goals.

Q14) Can cities, counties and states manage such a large amount of money?

A. Yes. NSP has proven that public agencies, in partnership with local businesses and organizations, can get the job done. HUD invested heavily in building community capacity through technical assistance so that communities that have received any NSP funding now have the necessary expertise. Technical assistance provided tools, information, and specialized services to meet the needs of grantees. That strategy would continue under Project Rebuild. Additionally, making grants directly to for-profit companies working in collaboration with local governments will tap into private capacity.

Q15) Is this too much money for this type of program?

A. No. The size and scope of problems associated with foreclosed, vacant and abandoned properties across the nation is massive and \$15 billion is a downpayment in assisting communities in addressing the negative effects of these properties. With \$7 billion in NSP already allocated, there is unaddressed high need in more than 76 percent of high need census tracts across the country.

Q16) Will communities or entities that have been especially slow in getting their money out be eligible?

A. HUD will consider granting funds to communities that have been slow to implement NSP, but would likely impose grant conditions such as requiring a memorandum of agreement with the community to accept technical assistance and to take action to improve performance, requiring the grantee to find program partners with higher capacity, or holding back a portion of the possible grant subject to improved performance.

Q17) How will HUD prevent fraud, waste and abuse under Project Rebuild?

A. Strict standards of oversight will ensure good stewardship of these funds. Project Rebuild relies on the existing monitoring and enforcement structure of CDBG and NSP. But HUD will further strengthen existing procedures to prevent fraud and abuse by requiring grantees to have an internal auditor to continuously monitor grantee performance. Grantees will be required to provide quarterly progress reports and HUD will recapture funds from underperforming or mismanaged grantees to reallocate those funds to areas with greatest need. Additionally, HUD will continue to provide technical assistance to grantees to improve performance and ensure program success.

Q18) What specific safeguards can HUD point to that ensure grantees are using funds in a cost-effective manner?

A. Project Rebuild will require HUD to establish and implement policies and procedures to prevent fraud and abuse of funds. Grantees will be required to have an internal auditor to continuously monitor program performance from the inside. Grantees will report and draw funds through an online system, giving HUD access to daily information on grant status. Grantee performance reports will be required on a quarterly basis.

In accordance with the Departmental handbook on risk management, HUD will carry out a Front End Risk Assessment and determine what mitigating actions to take to reduce risks. The most obvious mitigating actions involve hiring qualified term employees to handle the sudden new workload, and providing capacity building training and technical assistance to eligible grantees.

In addition HUD will continue the grantee risk assessment and monitoring processes that have worked for NSP. HUD has established an effective set of controls that ensure NSP funds used effectively:

- Provided data and tools to grantees to ensure that all NSP funds are targeted to areas of greatest need.
- Required grantees to establish minimum rehabilitation requirements and affordable rent policy pursuant to HERA.
- Weekly tracking of performance against the requirement that 25 percent of funds be used to benefit households at or below 50 percent of AMI.
- Establishment of grantee internal audit requirement as an NSP2 award condition.
- HUD monitors NSP grantees for compliance with program requirements.
- HUD conducts a risk assessment process to identify grantees having potential issues.
- Sanctions are available to be imposed on the grantee by HUD for programmatic violations, ranging from warning letters to recapture of funds to Department of Justice referrals.
- HUD's Inspector General is also undertaking a rigorous review of NSP grants and, in some instances, is issuing its own findings for HUD to follow up on.
- Sale at or below current market value is required for all NSP-funded acquisition of foreclosed property except where property value is below \$25,000.
- Sales price for foreclosed homes may not exceed the total NSP investment in the property.

Additional Questions

Q19) To what extent will Project Rebuild provide assistance to areas which have longstanding foreclosure problems that pre-date the current crisis?

A. The Secretary will be considering other factors than foreclosure in determining formula amounts. Vacancy and other market factors may also be considered.

Q20) How did you arrive at the minimum floor?

A. HUD analyzed a combination of estimated needs in the hardest hit places around the country and has experience with the amount of funds necessary to have an effective program that turns a neighborhood around. HUD also relied on its growing knowledge of grantee capacity.

Q21) Will Congress support this proposal?

A. The President believes that Project Rebuild appeals across party lines and economic philosophies. Everyone wants to put Americans back to work. The real estate industry has been unable on its own to reduce vacancies and stabilize property values. This injection of public capital enables private companies (both for-profit and non-profit) to make a reasonable return while putting unemployed people to work. The net effect is a win-win proposition that jump-starts the economy, creates jobs for desperate families, provides affordable housing, and stabilizes neighborhoods for the long term.

Q22) Can this program make a difference in a city like Detroit which has already lost many residents?

A. Yes. For example, Detroit has used its NSP grants to undertake a strategic demolition program, focusing efforts on removing blighted homes in neighborhoods that have been abandoned as a result of shrinking population because the market demand is not present for rehabilitation and resale. Such an approach allows the city to focus on stronger neighborhoods which can remain viable. However, many NSP target areas for prior rounds of funding were in newer subdivisions at the growing edge of cities like Phoenix and Miami and in middle-class neighborhoods in every state, where overbuilding or sub-prime lending inflated values to unsustainable levels. NSP has helped to stabilize these neighborhoods, and the families living in them.

Q23) So, just how much money will go to ACORN?

A. None. In NSP2, HUD made several grants directly to non-profit consortia, none of which included ACORN. Moreover, no direct grantee reports providing any NSP funds to ACORN.