

Responses to Public Comments on NSP3 Substantial Amendment

Two letters were received providing comment on the draft Substantial Amendment for the NSP3 funding being proposed by the Delaware State Housing Authority (DSHA). The letters are attached.

The first letter is from Tim Crawl-Bey, City of Wilmington, Director of Real Estate and Housing.

Concern 1: NSP 3, as described, provides such a direct subsidy to buyers (upwards of \$50K) that it could have significant impact on devaluing homes.

DSHA Response: As the assistance is to buyers for downpayment and closing costs, the assistance should not have any effect on the values of homes. Buyers will be purchasing the homes at 1% below appraised value or the best price that can be negotiated under that amount. However, DSHA has modified our plan so that NSP assistance combined with the bond program only will be eligible for up to \$20,000. When the homebuyer is looking at rehabilitation through the combined Bond program and the 203K program, homebuyers can qualify for up to \$40,000 in NSP3 assistance. In addition, any homebuyer receiving assistance greater than \$40,000 in NSP assistance will be required to participate in a subsidy retention mechanism whereby the home remains affordable to future buyers.

Concern 2: Scattered approach with all of funds will negate the ability to have significant “impact” within City neighborhoods.

DSHA Response: DSHA feels that with NSP1 and NSP2, adequate funds are already available for purchase rehabilitation programs and opportunities for redevelopment. Offering NSP3 as a buyer-driven program offers more choices to traditional homebuyers working with realtors.

Concern 3: It excludes local jurisdictions from making decisions on the use of funds that may make the most impact. It eliminates the ability of jurisdictions to aggregate properties for redevelopment.

DSHA Response: While it is true that NSP3, as planned, does not give the jurisdictions the decision making power that NSP1 and NSP2 provided, NSP1 and 2 funds are still available and program income from both will be available for years to come. Jurisdictions can use these funds to target specific streets and to aggregate properties. NSP3 provides another avenue to encourage eligible households to purchase foreclosed homes in the targeted neighborhoods. A buyer-driven program will allow us to access more buyers working with local realtors.

Concern 4: Creation of just five homes for special-needs rentals, does not create a lot of value for the dollar invested. Suggestion - look for opportunities to leverage the funds to create significantly more value.

DSHA Response: Affordable rental opportunities for special-needs populations have been a critical need in Delaware with virtually no resources available to address the need. NSP offers a vehicle for providing new inventory to address this critical need. DSHA has set the number of units at five so that we could fully assist in the purchase and rehabilitation of no less than five homes; however, we intend to have a competitive Request For Proposals (RFP) process that identifies opportunities for additional units. We will encourage those responding to the RFP to identify mixed-income projects that may offer opportunities for leveraging and increased community integration for marginalized individuals.

The second letter is from Van Temple, Executive Director of the Diamond State Community Land Trust (DSCLT).

Comment 1: Recommendation that DSHA designate one-third of the homeownership opportunities (48 units) to Community Land Trust (CLT) homeownership.

DSHA Response: DSHA would agree that permanent affordability for some portion of the NSP homes is an important goal, however, the primary goal is to stabilize the targeted communities, which already face many challenges.

The DSHA plan, as presented, provides resources and options for buyers to best meet this goal in a prompt and effective manner. Adding a set-aside for CLTs would likely add complexities that would slow down the program and make it less likely that we can fully deploy these funds to stabilize the targeted communities. In addition, DSHA is unsure of the capacity of DSCLT to identify and assist 48 buyers to purchase foreclosed homes in the distressed census tracts identified. Feedback from the jurisdictions active with NSP1 and 2 has been that buyers are reluctant to utilize the CLT model.

The CLT model is allowable with the Bond Program and NSP, and if utilized would provide an inventory of affordable homes for the future, as well as assurance that some homeownership would be retained in the targeted communities. DSHA could assist qualified buyers, purchasing qualified homes in qualified census tracts to use the CLT, if the CLT identified and trained the buyers. In an effort to encourage permanent affordability, DSHA will consider working with CLT buyers needing more than \$20,000 in assistance, but not more than \$60,000 in assistance, to purchase homes using NSP3 funds.

Comment 2: Requests clarification of the term long-term affordability as used and recommends that when investments of NSP3 funds over \$40,000 are made in a home, that that home be made permanently affordable under the CLT model.

DSHA Response: DSHA agrees that the language in this section was unclear and has tightened up the language to indicate that we intend for investments of over \$40,000 in a home to be made affordable for periods in excess of 30 years and to be made permanently affordable whenever possible.

Comment 3: Van Temple suggests that DSHA utilize the CLT model to meet the 25% set-aside to serve people at 50% AMI and below instead of creating rental opportunities for special-needs populations.

DSHA Response: Affordable rental opportunities for special-needs populations have been a critical need in Delaware with virtually no resources available to address the need. NSP offers a vehicle for providing new inventory to address this need. DSHA has set the number of units at five so that we could fully assist in the purchase and rehabilitation of no less than five homes; however, we intend to have a competitive RFP process that identifies opportunities for additional units. We hope that we can make some homeownership opportunities available to those with incomes at 50% of median and under by using the NSP and Bond Program described above. We feel that a portion of the NSP funds should be reserved to create much needed affordable rental opportunities for special needs populations.