

Wilmington NSP1 Program – Substantial Amendment Revolving Loan Fund (RLF)
Proposal Under Consideration by DSHA
December 2015

Background

The State of Delaware and its subrecipient, the City of Wilmington (City), operate a Neighborhood Stabilization Program (NSP) that purchases and rehabilitates foreclosed and abandoned properties and sells them to qualified households in established target areas. This activity is funded by NSP1 and NSP2 funds under Use B of the Department of Housing and Urban Development (HUD) guidelines. The activity takes place at locations in those target areas using zip codes of 19801, 19802, and 19805. The City has proposed an amendment to the program that would create a Revolving Loan Fund (RLF) to extend the duration of this important activity in a manner that prevents collection of general program income, allows draws of grant funds against the original grant Line of Credit, and eventually facilitates grant closeout. The Delaware State Housing Authority (DSHA) is considering this proposal. (Because DSHA is receiving NSP Technical Assistance (TA) from HUD, the State has asked TDA Consulting, the TA provider, to assist with this request and the necessary substantial amendment that it presents to the State's NSP1 Action Plan.)

Description of Proposed Amendment

The State proposes to establish an RLF, in cooperation with the City, for the purchase, rehabilitation, and sale of foreclosed/abandoned properties (as a separate fund with a set of accounts that are independent of other program accounts). This action will enable the State to carry out the same specific, eligible NSP activity authorized by HUD in 2008 and to further stabilize housing conditions in Wilmington's current target areas for at least an additional two (2) years. The RLF will feature a 25% set aside of expenditures targeted to families with incomes at or below 50% Area Median Income (AMI). The City will apply the same methods for ensuring continued affordability used in the grant-funded activity. The amendment would not change the purpose of the program activity nor the scope of its activities and its beneficiaries. However, it would extend the same type of activities into the future.

Funding

The City intends to capitalize the RLF with an estimated \$450,000 in program income that it anticipates receiving from the sale of Use B projects. The RLF will serve as a mechanism to implement the same Use B activities and will meet HUD national objectives. As required, the RLF will be set up in an interest-bearing account (separate from other accounts), and information will be reported annually to the U.S. Treasury. In addition to furthering the stabilization of existing target areas, the RLF will enable the City to spend down most, if not all, of the NSP1 grant funds in the State's Letter of Credit by December 2016.

Justification

The City submitted a written request to DSHA on September 17, 2015 explaining the subrecipient's desire to better manage its NSP1 grant program and position the program for closeout. The City has met its expenditure deadline for an NSP2 grant and has otherwise demonstrated a capacity to accomplish NSP program goals. The City's NSP Administrator and the same organizational staff assigned to the existing grant-funded activities (within the City's Department of Real Estate and Housing and the Department of Finance) would carry out those activities funded from the RLF. By design, the RFL will generate program income and it will serve as the fund in which the City places program income, and from which monies are disbursed, replenished, and again disbursed. The City intends to place repayments or sales proceeds into the RLF for continued use in carrying out NSP-eligible activities well into the future. As stated above, the proposed amendment would also enable the City to spend down most, if not all, of the NSP1 grant funds in its Letter of Credit by December 2016 and ready the NSP1 grant for closeout.

Amendment Process

HUD regulations recognize that NSP grantees from time to time may need to make amendments to their approved action plans. Because NSP follows Community Development Block Grant regulatory guidelines, NSP grantees must adhere to 24 CFR 91.505 (a) amendments to the plan. Those regulations require a jurisdiction to amend a plan when changing the "purpose, scope, location, or beneficiary of an activity". NSP Alert 2012-08 specifically states that:

"Grantees must do an action plan amendment to create a revolving loan fund."

DSHA has held several preliminary discussions with the City and is currently working with the subrecipient to make the State of Delaware's NSP1 Program a complete success. The State realizes that the proposed change constitutes a substantial amendment to the State of Delaware's HUD approved Action Plan of 2008. As such, DSHA has made this proposal for the substantial amendment available for public comment. DSHA will summarize the public comments received and then submit the substantial amendment to HUD for approval.

Intended Action

Upon approval of HUD, the State of Delaware will authorize the City of Wilmington to establish the RLF for the purposes expressed in this proposal and expect the subrecipient to carry out the intended activities to further stabilize housing conditions in Wilmington's current target areas.