

X. REDEVELOPMENT

The NSP Eligible Use definition for “(E) Redevelopment demolished or vacant properties” includes the eligible actions of:

- Disposition,
- Public facilities and improvements,
- Housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers of the redeveloped properties,
- Relocation; and
- New construction of housing.

Eligible Property

For a property to be “redeveloped,” it must have been previously developed and is now vacant. Raw land would not be eligible for redevelopment.

Properties need not be foreclosed in order to be redeveloped. NSP only requires that the properties be demolished or vacant.

Additional Considerations

NSP funds can be used to demolish structures on the property prior to redevelopment. However, the structures must be blighted.

If NSP funds are to be used to purchase and then demolish and redevelop a property:

- The property must be a home/residential property that is abandoned or foreclosed upon [NSP Eligible Use (B) Purchase and rehabilitation];
- The demolition can be completed [Eligible Use (D)];
- The redevelopment is completed and the property(s) sold or rented.

If NSP funds are to be used to purchase and hold the property until sometime in the future:

- The acquisition would be undertaken as part of Land Banking. Under the land banking activity NSP funds can only be used for purchasing and maintaining or disposing of foreclosed upon homes—vacant property, abandoned property or nonresidential property CANNOT be purchased under land banking.

New Guidance

NSP3 is the authorizing legislation for the third round of funding for NSP. It amends the 25 percent set-aside requirement by removing the restriction that allows only abandoned or foreclosed upon homes or residential properties to be used to meet this requirement. Instead, NSP1 and 3 grantees may also use vacant or demolished property to meet the set-aside requirement as well.