

December 17, 2010

Ms. Cheryl Breaux, Director
Department of Housing and Urban Development
Hale Boggs Building
500 Poydras Street, 9th Floor
New Orleans, LA 70130

Re: Amendment #2 to Neighborhood Stabilization Program 2 (“NSP2”) Application

Dear Ms. Breaux:

Please consider this request to the NOLA NSP2 Consortium Application to alter the structure of our Consortium membership and roles within. There are two parts to the proposed amendment: the first proposed change would convert some of our existing Consortium Members to Development Partners. The second proposed change would replace Volunteers of America with new development partners. This amendment is important to allow the Consortium to be more efficient and accurate during implementation without compromising our capacity that was rated during the original application review. As requested for any amendment consideration, we have outlined the general policy reasons for making these changes and provided a chart demonstrating why the requested changes are consistent with the six rating factors in the original application.

First, based on further clarification about the ramifications of acting as a “Consortium Member” while redeveloping housing, NORA and our co-grantees have determined that our program will benefit greatly if NORA is permitted to alter some of our existing partners’ status from “Consortium Member” to “Developer Partner”. The majority of the Consortium Members are experienced local developers accustomed to utilizing federal funding such as Low Income Housing Tax Credits, HOME, CDBG and NSP1. Accordingly, it has only been in rare cases when our Consortium Members have performed as sub-recipients; generally when performing in such sub-recipient roles, their scope of work was for services rather than construction. Our Consortium Members are thus accustomed to operating as “Developers” as defined very narrowly in the NSP2 regulations.

In originally describing our partners as Consortium Members rather than developers, we did not appreciate the nuances between the two categories under NSP2 regulations and the subsequent challenges such a designation would create. Our intent all along was for our partners to serve as developers and it is clear in both our application and subsequent program design that they are being utilized to provide those services. In a number of cases, these partners are utilizing other federal funds to leverage their efforts under NSP2 and those programs have characterized them as developers. There are both business implications (i.e. the availability of developer’s fees) and, even more importantly, significant compliance implications in having these entities characterized as Consortium Members. For example, developers operate with certain procurement systems and methodologies that are appropriate to the type of work they are doing. It is not clear yet whether auditors will view “Consortium Members” through that lens or through the lens of sub-recipients. This uncertainty is especially significant because “Consortium Member” is a largely NSP2-specific term and subject to various interpretations about what rules apply. We believe clarifying as many of partners as possible into a common term will simplify and help expedite our implementation from this point forward. It also will allow our partners to use their highly developed existing systems rather than have to develop and integrate brand new protocols and standards dictated by the federal requirements.

Second, Volunteers of America (VOA) originally applied as a Consortium Member to NSP2 with the New Orleans Consortium but later determined, prior to signing an NSP2 Consortium Member Agreement with NORA, that they did not want to shift their focus from multi-family development to single-family development. The Target Geography affected by this change is listed as Dillard & Oak Park in the application (census tracts 33.02, 33.07, and 33.08). The type of development in this area remains, as anticipated in the application, single-family development primarily on the scattered site Louisiana Land Trust (LLT) properties controlled by NORA. These properties are attractive for NSP2 subsidy because development can begin immediately, due to NORA's site control, their vacant status, and the fact that the properties were already subject to environmental review. For these reasons, a single-family home developer is needed in this Target Geography to replace VOA so that the NOLA Consortium can achieve the goals outlined in the application.

Based on advice in May 2010 from HUD headquarters, we moved forward in August with steps to replace VOA in the Consortium with a Development Partner. After issuing an RFP soliciting proposals, NORA selected VOB Development, LLC, a for-profit entity, and the non-profit Project Homecoming to split the allocation and performance obligations previously assigned to VOA. At this time we are requesting written approval from HUD to confirm our scoring is not jeopardized by replacing VOA's capacity with these developers in the Consortium.

Below is a summary of how the above described changes affect the various factors in the New Orleans Consortium's original application.

Amendment -- Add VOB and Project Homecoming to the Consortium as Developer Partners

Factor	Sub Factor (from NOFA)	
1 – Need	Target Geography	No Change
1 – Need	Market Conditions	No Change
2 - Demonstrated Capacity	Past Experience	Since 2007: (two years prior to NSP2 application in 2009) Project Homecoming = 125 single family rehab VOB = 238 single family new construction. See Table below – updated from page 12 of the original application
2 - Demonstrated Capacity	Management Structure	Project Homecoming was established in April 2007 with a grant from the Presbyterian Disaster Assistance as a long term recovery ministry by the Presbytery of south Louisiana. Project Homecoming is overseen by a Board of Directors and employs a staff of over 20 full time employees in addition to the successful management of volunteer labor on all of its projects. PH will act as a development partner to acquire, redevelop and rehabilitate and sell single family homes. VOB is a woman- and African American-owned family business that has developed affordable housing since 2003. VOB will act as a development partner to acquire, redevelop and sell single family homes.
3 - Soundness of Approach	Proposed Activities	No Change
3 - Soundness of Approach	Completion Schedule	No Change. The properties that these developers will be utilizing are controlled by a partnership between the State and NORA so transfer of site control can happen rapidly (approximately 60 days from developer agreement execution).
3 - Soundness of Approach	Income Targeting	No Change (<120% AMI)

3 - Soundness of Approach	Continued Affordability	At minimum, units that receive NSP2 subsidy will abide by the HOME standards, based on the amount of subsidy needed. The affordability restrictions will be dictated by developer subsidy and homeowner subsidy requirements as appropriate.
3 - Soundness of Approach	Consultation & Outreach	No Change. NORA procured VOB and Project Homecoming through a competitive scoring process based on the original framework of the NOLA NSP2 design. The process included advertising via local newspapers, NORA's website and sent to stakeholders and community leaders throughout the city. Before final selection, the top three scorers presented to the target area community after which NORA received comments from neighborhood residents about all three. The final awardees made a commitment, both in their proposals and directly to the community during presentations, to meeting regularly with all stakeholders. NORA continues to work with all partners to ensure widespread marketing of homes to qualified families.
3 - Soundness of Approach	Performance Monitoring	No Change Created by Amendment.
4. Leverage	Leverage \$	Project Homecoming will be leveraging approximately \$890,000 in developer equity and an estimated \$947,000 in volunteer labor to the project. VOB plans to obtain conventional construction financing as they have on prior projects. In addition, a separate funding source from the State's disaster CDBG program will help fill remaining gaps between TDC and FMV or write down the sales price to eligible homebuyers when more affordability is needed.
4. Leverage	Rubric	No Change
5. Sustainability		Both VOB and Project Homecoming are committed to energy efficient design. Each will meet Enterprise Communities Standards and Builders Challenge.
6. Neighborhood Transformation		No Change

Amendment -- Re-assign some existing Consortium Members as Developer Partners

Factor	Sub Factor	
1 – Need	Target Geography	No Change
1 – Need	Market Conditions	No Change
2 - Demonstrated Capacity	Past Experience	Above the 75 unit threshold in each activity. See Table below – updated from page 12 of the original application
2 - Demonstrated Capacity	Management Structure	No Change
3 - Soundness of Approach	Proposed Activities	No Change
3 - Soundness of Approach	Completion Schedule	No Change
3 - Soundness of Approach	Income Targeting	No Change
3 - Soundness of Approach	Continued Affordability	No Change
3 - Soundness of Approach	Consultation & Outreach	No Change
3 - Soundness of Approach	Performance Monitoring	No Change
4. Leverage	Leverage \$	No Change
4. Leverage	Rubric	No Change
5. Sustainability		No Change
6. Neighborhood Transformation		No Change

Table: Recent Stabilization Activities of Consortium: Members and Development Partners

	Property Controlled	SFH New Construction	Rental Units	Rehab	Demo/ Deconstruction	Proposed Role Assignment in Consortium
BDC	0	25	0	97	2	Developer Partner
GCHP	0	71	816	0	0	Developer Partner
Jericho	0	21	0	0	15	Developer Partner
Make it Right	50	32	0	0	15	Developer Partner
NENA	50					Developer Partner
PPCDC	110	4	0	0	0	Developer Partner
Proj. Homecoming	0	0	0	125	0	Developer Partner
St. Bernard Proj.	3	0	0	240	0	Developer Partner
UNITY						Developer Partner
VOA	0	0	0	0	0	Removed
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NONDC	0	15	460	0	700	Consortium Member
NORA	5000				2000	Consortium Member
PHA	11	32	0	0	0	Consortium Member
RTNO	0	0	0	220	60	Consortium Member
VOB		238				Developer Partner (for-profit)
TOTAL CAPACITY IN EACH ACTIVITY (tallies only Consortium Members and for-profit developer partners)	5011	285	460	220	2,760	

I appreciate your consideration once again of our attempt to correct any misjudgments and errors in our original application so that we can more efficiently meet our goals for NSP2.

Sincerely,



Joyce Wilkerson, Executive Director of NORA
 (504) 658-4400

cc: Jennifer Hylton
 John Laswick
 Ommeed Sathe
 Cynthia Weatherspoon