

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 322-1560
FAX (916) 327-6660



January 23, 2009

MEMORANDUM FOR: HCD Customers

THROUGH: Lynn L. Jacobs
Director

FROM: Chris Westlake 
Deputy Director

SUBJECT: Notice of Changes to the State of California's NSP
Allocation Methodology

At the request of the Department of Housing and Urban Development (HUD), the State of California's Department of Housing and Community Development is in the process of revising its methodology for the allocation of funds under the Neighborhood Stabilization Program (NSP). This revision will affect the allocations to jurisdictions that are part of an Urban County agreement and add additional jurisdictions to Tiers 1 and 2.

In the original Substantial Amendment, which described the proposed methodology for the distribution of the NSP funds, the State of California excluded from its direct funding the 46 jurisdictions that received allocations from HUD. In its assessment of this methodology, HUD noted that some of these 46 jurisdictions were part of Urban County agreements. Because of these agreements, HUD understood that any funds allocated to these jurisdictions also represented allocations to any cities included in their Urban County agreement. According to HUD, it adjusted its direct allocations to the jurisdictions to account for this understanding, which resulted in more NSP funds for these jurisdictions. As a result of these adjustments, HUD indicated that the State's proposed methodology, which excluded HUD's direct grantees from its Tier 1 funds, should also exclude the cities included in Urban County agreements in order to remain consistent with the stated objective of funding jurisdictions that had not received any of HUD's NSP funds.

As a result of HUD's concerns, the State of California is revising the methodology presented in the Substantial Agreement submitted to HUD on December 1, 2008. Once the State completes the necessary revisions and receives HUD's approval, the State will notify all of the jurisdictions of the changes to their allocations. Although the changes to the methodology will not require a formal public comment period or hearing, the State will conduct at least one public forum to explain the changes. At this time, the

State has not set a date for either the notification to the jurisdictions or the public forums. However, because HUD must act on all NSP applications by February 13, the State will make its announcements by this date.

This January 23rd memo is posted on our website, www.hcd.ca.gov. As soon as we have additional information, we will post it there and distribute it via e-mail to those on the distribution lists. If you have additional questions, please contact me at 916-322-1560.