

City of Homestead Neighborhood Stabilization Program Policies and Procedures

Introduction

The City of Homestead received an allocation of Neighborhood Stabilization Program (NSP) funds under the Housing and Economic Recovery Act Title III Section 2301 (c). This program is designed to assist local governments in addressing the ongoing foreclosure crisis. In accordance with program requirements, the City of Homestead submitted an NSP Substantial Amendment to the U.S. Department of Housing and Urban Development (HUD) that outlines specific strategies to utilize the NSP funding. This document outlines the policies and procedures designed to implement each of the four strategies: Purchase/Rehabilitation; Purchase/Rehabilitation of Rental Property, Down Payment Assistance, and Demolition.

A. Purchase/Rehabilitation Program Policy Guidelines

I. Program Description

The Purchase Rehabilitation Program is a component of NSP and provides purchase and rehabilitation assistance to low income (LI) applicants who earn 120 percent or less of Area Median Income (AMI) according to HUD guidelines. Purchase Rehabilitation funds must be used to purchase an existing residential property that has been foreclosed and is abandoned and vacant. The property must be purchased at a discount of at least 15 percent below appraised market value.

II. Eligible Applicants

To be eligible to receive funding, the applicant must meet the following criteria:

- a. Applicants must use the home as their primary residence.
- b. Applicants must be able to secure conventional financing to fund the balance of the mortgage.
- c. Applicants must complete a HUD-approved, 8-hour homebuyer education course.
- d. Applicants must contribute at least \$1,500 toward the purchase price at closing.

- e. Applicants must be employed and have an established credit history.
- f. Applicants must be U.S. citizens or have permanent residency immigration status.
- g. Applicants income must fall within the following income limits for FY 2009 (income limits increase proportionately with family size):

	Family of 1	Family of 2	Family of 3	Family of 4	Family of 5	Family of 6
Income Limits	\$56,600	\$64,700	\$72,800	\$80,900	\$87,350	\$93,800

III. Uses of Program Funds

Purchase Rehabilitation funds must be used to purchase a residential property within the incorporated limits of the City of Homestead. The property must be foreclosed, abandoned and must be purchased at a discount of at least 15 percent below appraised value.

Purchase Rehabilitation funds may be used for the following:

- a. The purchase of property within the incorporated City of Homestead that has been foreclosed or abandoned and lies within the NSP targeted ZIP Codes 33030, 33033, or 33035.
- b. Due diligence to determine property ownership and encumbrances.
- c. Environmental reviews of the property, if necessary.
- d. Closing costs and commissions as approved prior to closing by the City of Homestead.
- e. Other reasonable costs necessary to purchase the property as authorized by the City of Homestead.
- f. Cost to repair the house and bring it into compliance with minimum housing quality standards.

Purchase Rehabilitation funds may not be used for:

- a. Renovation of luxury items unless deemed necessary for the health, safety and welfare of the home's residents. Examples of luxury items include, but are not limited to, swimming pools, whirlpool tubs, spas, saunas, and outdoor kitchens.
- b. Installation of luxury items, although upgrades may be eligible using applicant's funds. Examples of such luxury items include granite, marble, or manufactured solid surfaces in kitchens, floors or bathrooms, premium-grade carpeting, and other non-essential components of home repair.
- c. Installation or purchase of any items not approved by the City's Housing Assistance Plan.
- d. Purchase of furniture or equipment other than approved residential appliances.

IV. Eligible Properties

All properties purchased using Purchase Rehabilitation funds must meet the following criteria

- a. The property must be located within the incorporated City of Homestead and within NSP targeted ZIP Codes 33030, 33033, or 33035.
- b. The property must be an existing single-family residence, condominium, townhome, duplex, triplex, or other residential building.
- c. The property must be foreclosed and abandoned according to NSP definitions.
- d. The property must be vacant.
- e. The total cost of the house must conform to the mortgage limits established by FHA for Miami-Dade County.
- f. The property must be appraised by an independent appraiser assigned by the City of Homestead, before and after rehabilitation.
- g. The property must be purchased at a minimum discount of 15 percent below appraised value.

- h. Mobile homes and manufactured homes are ineligible to receive Purchase Rehabilitation funds.
- i. The property must meet Housing quality standards as soon as possible after closing.
- j. The property must be evaluated prior to sale by a City of Homestead representative, who will evaluate the property and determine the proper course of action for renovations, if needed.
- k. Properties with clear title will be given priority over properties that require legal action to achieve clear title.
- l. The property will be offered for sale only after it has been inspected by a City representative.

V. Acquisition, Rehabilitation, and Disposition Process

The Purchase Rehabilitation Program is designed to purchase foreclosed properties that require rehabilitation. In order to rehabilitate the property, the following procedure must be followed:

- a. Properties to be purchased through the Purchase Rehabilitation Program must be inspected by a City representative to evaluate the amount of rehabilitation required to rehabilitate the house.
- b. After an initial inspection, a City representative will evaluate the property and prepare a work write up outlining necessary repairs.
- c. The property will be appraised by a City-approved appraiser.
- d. The City will make an offer on the property, enter into contract, and purchase the property.
- e. A bid package to repair the house will be prepared based on the work write up.
- f. The work write up will be put out to a public bid solicitation and a contract will be awarded.
- g. The rehabilitation will proceed and, once completed, the home will be offered for sale to qualified applicants.

VI. Maximum Assistance

The maximum amount of Purchase/Rehabilitation funds that may be provided to any one applicant is dependent on the required funds to repair and purchase the house, but in no case may the total cost of the house exceed the FHA limits established for Miami-Dade County.

The maximum amount of closing costs and prepaid expenses paid through this program may not exceed 2 percent of the maximum sales price. All closing costs are subject to review by the City of Homestead prior to closing.

B. Purchase / Rehabilitation of Rental Property Program Policy Guidelines

I. Program Description

The Homestead Purchase / Rehabilitation Rental Property Program is a component of NSP and provides loans to local non-profit organizations to provide rental housing to residents who make 50 percent or less (Low Income, or LI) of area median income (AMI) according to HUD guidelines. Eligible non-profit organizations should have a proven track record of providing housing or can partner with an experienced housing provider. These funds are not intended for transitional housing. The loan is provided at 0 percent interest with an affordability period of 25 years. The loan will amortize and be forgiven after the expiration of the initial 25-year affordability period. Funds must be used to purchase an existing residential property that has been foreclosed and has been abandoned and must be purchased at a discount of at least 15 percent below appraised market value.

II. Eligible Applicants

To be eligible to receive funding, the applicant must meet the following criteria:

- a. Be a bona fide non-profit entity in good standing with the State of Florida Department of State that provides housing or related social services to low income residents of the City of Homestead.
- b. Have 3 years of experience in providing rental housing or the ability to partner with an experienced housing provider or developer with at least 3 years of experience in providing rental housing.

- c. Priority will be given to experienced non-profit developers familiar with the City of Homestead.
- d. Demonstrate the ability to own and maintain residential property for an extended period of time.
- e. Provide pro forma statements of rental income and expenses.
- f. Demonstrate the ability to comply with Federal, State and local government requirements, including reports and periodic audits and monitorings as may be required.
- g. Developers for this strategy will be selected pursuant to a Request for Proposal (RFP). The RFP will be advertised in a newspaper with wide circulation in the City. The RFP advertisement must contain at a minimum the amount of funding that will be available, the strategy and the date, place and time the RFP will be due. It should also provide the name and contact information, including email address, of a staff person who can answer any information pertaining to the RFP. The advertisement must also provide a date for a workshop, if any.

III. Uses of Program Funds

All program funds must be used to assist Low Income residents of the City of Homestead in order to provide affordable rental units. The rate of rents charged to LI households cannot exceed 30 percent of the tenants' adjusted gross income. Properties must be within the incorporated limits of the City of Homestead. NSP funds may not be used for transitional rental housing, normally defined as a period of less than 6 months tenancy.

Funds may be used for the following:

- a. The purchase of property within the City of Homestead that has been foreclosed or abandoned and is within the NSP targeted ZIP Codes 33030, 33033, or 33035.
- b. Due diligence to determine property ownership and encumbrances.
- c. Environmental reviews of the property.
- d. Rehabilitation of property to conform to minimum housing quality standards.

- e. Closing costs and commissions as approved by the City of Homestead prior to closing.
- f. Other reasonable costs necessary to purchase and rehabilitate the property as authorized by the City of Homestead.

Program funds may not be used for the following:

- a. Administrative costs of the non-profit.
- b. Reimbursement of program application costs.
- c. Furniture or equipment for the rental property.
- d. Ineligible rehabilitation costs outside the scope of identified deficiencies in minimum housing quality standards.
- e. Any cost incurred before an award of funds by the City of Homestead.

IV. Eligible Properties

All properties purchased using Purchase / Rehabilitation Rental Program funds must meet the following criteria.

- a. The property must be located within the incorporated City of Homestead and ZIP codes 33030, 33033, and 33035.
- b. The property must be an existing single-family residence, multi-family building, townhouse, condominium, duplex, triplex, or other residential building.
- c. The property must be foreclosed and abandoned according to NSP definitions.
- d. The property must be vacant.
- e. The property must conform to all applicable City zoning and building codes or have the ability to meet such requirements upon completion of renovations.
- f. The property must be purchased at a minimum discount of 15 percent below appraised value.
- g. Mobile homes and manufactured homes are ineligible to receive NSP assistance.

- h. The property must meet Housing quality standards within 150 days of closing.
- i. The property must be evaluated prior to sale by a City of Homestead representative, who will evaluate the property and determine the proper course of action for renovations, if needed.
- j. A 12-month warranty must be provided to the owner by the contractor.

V. Maximum Assistance

The maximum amount of Purchase / Rehabilitation Rental Program funds that may be provided to any one applicant will be based on the total number of units to be acquired.

The maximum amount of closing costs and prepaid expenses paid through this program may not exceed 2 percent of the maximum sales price for the Purchase / Rehabilitation Rental Program. All closing costs are subject to review by the City of Homestead prior to closing.

C. Down Payment Assistance Program Policy Guidelines

I. Program Description

The Down Payment Assistance (DPA) Program is a component of NSP and provides DPA to low-income (LI) applicants who earn 120 percent or less of Area Median Income (AMI) according to HUD guidelines. DPA funds must be used to purchase an existing residential property that is foreclosed and is abandoned. The property must be purchased at a discount of at least 15 percent below appraised market value. Applicants must contribute at least \$1,500 towards the purchase of the house, with a maximum DPA of up to \$50,000 per household.

II. Eligible Applicants

To be eligible to receive funding, the applicant must meet the following criteria:

- a. Applicants must use the home as their primary residence.
- b. Applicants must be able to secure conventional financing to fund the balance of the mortgage.
- c. Applicants must complete a HUD-approved, 8-hour homebuyer education course.
- d. Applicants must contribute at least \$1,500 toward the purchase price at closing.
- e. Applicants must be employed and have an established credit history.

- f. Applicants must be U.S. citizens or have permanent residency immigration status.
- h. Applicants income must fall within the following income limits for FY 2009 (income limits increase proportionately with family size):

	Family of 1	Family of 2	Family of 3	Family of 4	Family of 5	Family of 6
Income Limits	\$56,600	\$64,700	\$72,800	\$80,900	\$87,350	\$93,800

III. **Uses of Program Funds**

DPA funds must be used to purchase a residential property within the incorporated limits of the City of Homestead. The property must be foreclosed and be abandoned, and the property must be purchased at a discount of at least 15 percent.

The amount of assistance shall not \$50,000 and shall not be more than what is needed to complete the purchase and bring the home up to minimum Housing quality standards.

DPA funds may be used for the following:

- a. The purchase of property within the City of Homestead that has been foreclosed and abandoned up to a total of \$50,000 and is within the NSP targeted ZIP Codes 33030, 33033, or 33035.
- b. Due diligence to determine property ownership and encumbrances.
- c. Environmental reviews of the property, if necessary.
- d. Closing costs and commissions as approved by the City of Homestead prior to closing.
- e. Other reasonable costs necessary to purchase the property as authorized by the City of Homestead.
- f. Cost to repair the house and bring it into compliance with minimum housing quality standards.

IV. **Eligible Properties**

All properties purchased using DPA must meet the following criteria

- a. The property must be located within the incorporated City of Homestead within the NSP targeted ZIP Codes 33030, 33033, or 33035.
- b. The property must be an existing single-family residence, townhouse or condominium.
- c. The property must be foreclosed and be abandoned according to NSP definitions.
- d. The property must be vacant.
- e. The total cost of the house must conform to the mortgage limits established by FHA for Miami-Dade County.
- f. The property must be purchased at a minimum discount of 15 percent below appraised value.
- g. Mobile homes and manufactured homes are ineligible to receive DPA.
- h. The property must meet minimum housing quality standards within 120 days of closing.
- i. The property must be evaluated prior to sale by a City of Homestead representative, who will evaluate the property and determine the proper course of action for renovations, if needed.

V. Maximum Assistance

The maximum amount of DPA that may be provided to any one applicant is \$50,000, which does not include the \$1,500 contribution required of program participants. DPA funds may not constitute more than 50 percent of the total financing required to purchase the home.

The maximum amount of closing costs and prepaid expenses paid through this program may not exceed 2 percent of the maximum sales price. All closing costs are subject to review by the City of Homestead prior to closing.

D. Demolition Program Policy Guidelines

I. Program Description

The Demolition Program is a component of NSP and provides funds to demolish vacant and abandoned residential buildings in the designated NSP target area(s). Demolition Program participants must agree to create affordable housing on the property or return the NSP funds to the City upon sale or transfer of the property, or after 10 years if such housing is not created. If such housing is created, the assistance is offered at 0 percent interest for 25 years. After the 25-year period expires, the loan will amortize monthly over a 5-year period until completely forgiven. The loan is secured through a mortgage, note, and land use restriction agreement. NSP funds may also be used for involuntary demolitions of vacant property through the City's Code Enforcement process. The property must be in ZIP Code 33030.

II. Eligible Applicants

To be eligible to receive funding, the applicant must meet the following criteria:

For voluntary participants:

- a. The property must be residential.
- b. The applicant must own the property as evidenced through a title search.
- c. Properties owned by more than one person can only receive demolition funds after obtaining signed consent from all owners.
- d. The improvements to the property must be blighted and abandoned.
- e. The improvements to the property must not be historic unless representing an immediate threat to the health, safety and welfare of the community, or be in such a state of disrepair as to necessitate demolition.
- i. For purpose of this program, any affordable housing created on the demolished property must benefit residents whose income does not exceed the following FY 2009 limits (income limits increase proportionately with family size):

	Family of 1	Family of 2	Family of 3	Family of 4	Family of 5	Family of 6
Income Limits	\$56,600	\$64,700	\$72,800	\$80,900	\$87,350	\$93,800

For involuntary participants:

- a. The property must be residential.
- b. The property must have gone through the Code Enforcement process leading to a demolition order.

III. Uses of Program Funds

All program funds must be used to demolish blighted and abandoned residential buildings in the targeted NSP neighborhood(s). NSP funds will be paid directly to contractors and vendors to complete the demolitions. Property owners will not receive NSP funds directly.

Funds may be used for the following:

- a. The demolition of residential properties within the incorporated City of Homestead that are blighted within the NSP targeted ZIP code 33030.
- b. Due diligence to determine property ownership and encumbrances.
- c. Environmental reviews of the property.
- d. Grading and seeding of the vacant site, and removal of all debris, construction-related or otherwise.
- e. Other reasonable costs necessary to demolish residential properties.

Funds may not be used for the following:

- a. Demolition of occupied buildings.
- b. Permanent relocation of occupants.

IV. Eligible Properties

All properties to be considered for demolition must meet the following criteria:

- a. The property must be located within the incorporated City of Homestead within the NSP targeted ZIP Code 33030.
- b. The property must be residential.
- c. The property must be blighted, abandoned, and vacant.
- d. The property must be located within the NSP target zone(s).

V. Maximum Assistance

Assistance will be provided in an amount necessary to demolish all residential improvements and will include the cost to grade, clean, and sod the property.

VI. Terms and Conditions Specific to Demolition

The program assistance will be in the form of a mortgage, note, and land use restriction agreement. After demolition, affordable housing must be constructed on the property within 10 years. "Affordable" in the Demolition Program means families who earn 120 percent or less of Area Median Income (AMI). If, at the end of 10 years from the date of demolition, the property owner has not constructed affordable housing on the site, or the property is sold or transferred in that time for non-LMI housing, the NSP funds must be returned to the City of Homestead.

The affordability period is 25 years from the date of demolition and can be conveyed to eligible LMI homebuyers. After expiration of the affordability period, the loan will amortize each month in equal installments until completely forgiven over a period of 5 years. If the property is sold within the initial 25-year affordability period the entire amount of the mortgage is due to the City of Homestead. If the property is sold after the 25-year affordability period but within the 5-year amortization period, the outstanding balance is due to the City of Homestead. If the property is not used for the intended purpose as set forth in the mortgage and note, this shall constitute a default of said mortgage and note, and the outstanding balance in the mortgage and note is due and payable to the City of Homestead.

In the event of an involuntary demolition authorized by Code Enforcement proceedings, the terms of the NSP will be applied to the property. In the event the property is deeded to the City of Homestead, the City will either develop affordable housing on the site or sell the property and refund the cost of demolition to the NSP.

E. Terms and Conditions

The program assistance will be in the form of a mortgage, note, and land use restriction agreement. The interest rate will be 0 percent. The affordability period is 25 years. After expiration of the 25-year affordability period, the loan will amortize each month in equal installments for five additional years until completely forgiven. If the property is sold within the initial 25-year affordability period the entire amount of the mortgage is due to the City of Homestead. If the property is sold after the 25-year affordability period but within the 5-year amortization period, the outstanding balance is due to the City of Homestead. If the property is not used for the intended

purpose as set forth in the mortgage and note, this shall constitute a default of said mortgage and note, and the outstanding balance in the mortgage and note is due and payable to the City of Homestead.

The City of Homestead will hold first position unless expressly subordinated by the City of Homestead. If additional financing is required, the mortgage must be a fixed rate loan not to exceed $\frac{3}{4}$ percent over Fannie Mae (FNMA) or Freddie Mac (FHLMC) 60-day delivery rate as of lock-in date. Balloons and negatively amortized first mortgages are not eligible. Owner financing is not eligible.

The buyer or seller may not pay origination/points/discount fees in excess of one point.

F. Application Process

Applications for assistance will be accepted when funds are available and following public advertising. Applications will be reviewed by staff from the City of Homestead or designee for adherence to program guidelines.

G. Evaluation and Underwriting

The City Manager of the City of Homestead or designee is authorized to approve eligible applicants in conformance with the NSP regulations consistent with these policy guidelines. The City of Homestead will take a secondary position behind the primary lender. The City reserves the right to evaluate the first-position loan prior to closing to ensure that the loan is conventional and non-predatory. The City will not provide assistance to subprime loans.

H. Closing Costs

When all conditions of the sale of property have been met, the City of Homestead will coordinate a reasonable closing date and time with the closing agent and lender, if applicable. A proposed HUD-1 closing statement must be submitted to the City of Homestead for review two weeks prior to closing to determine the proper allocation of funds. The City of Homestead or designee will prepare the mortgage, note and land use restriction agreement documents and send them to the closing agent along with the program funding.

Funds necessary for rehabilitation will be distributed directly to the contractor and will not pass through the applicant.

I. Administration of the Program

The City of Homestead staff or designee will administer these programs consistent with these policies. In the event that an affected party believes that the City of Homestead is not interpreting these policies correctly, the affected party must request a meeting with the City staff or designee to discuss and seek resolution of the conflict.

If, following a meeting with the City staff or designee, the issue remains unresolved; the affected party will have the ability to appeal the decision to the City Manager's office. The written appeal must be filed with the City Manager or designee within 15 days of the meeting with the City staff. The affected party must, in writing, describe the issue and the reason they believe the interpretation is not accurate. The City Manager's office will consider the request, within 45 days of receipt of the written appeal, and make a final decision. The decision of the City Manager's office is final and may not be further appealed.

J. Conflicts with State and Federal Law

In the event these policies are found to conflict with State or Federal law or the rules of the NSP, now or in the future, the State or Federal law or rules of the NSP will take precedence. The Director or designee is authorized to amend these policies to the extent necessary to make these policies consistent with state or federal law or the rules of the NSP.

INSERT SIGNATURE LINES