

# Leon County's Proposed Neighborhood Stabilization Plan

The Leon County NSP2 program will take the following steps in acquiring foreclosed properties:

1. Identification of foreclosed properties through Multiple Listing Services and bank REO websites: In developing this NSP2 proposal, we have already identified a first list of potential properties for acquisition.
2. Finalizing a list of properties for acquisition: Prior to acquiring foreclosed properties, the Department of Housing Services will take the following actions:
  - Physically visit the homes to examine the condition of the building and grounds.
  - The Department's Housing Rehabilitation Specialist will make an estimate of costs of all items that need to be repaired, completed or replaced.
  - The Department's Housing Coordinator will estimate other costs to carry the property, including liability insurance, financing and legal costs.
  - Check public records for liens.
  - Check with the Leon County Building Department to make sure there is a final certificate of occupancy.
  - Gather warranty information on systems – air conditioning, structure, and appliances.
3. Negotiating purchase prices: we anticipate being able to negotiate a minimum of a 10% discount on the purchase of foreclosed properties. This complies with Section 2301(d)(1) limiting the purchase price of foreclosed homes, noting that “any purchase of a foreclosed upon home or residential property under this section shall be at a discount from the current market appraised value of the home or property, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.”

The Department will determine the reasonable discount for each purchase transaction through the use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds. Such methodology will provide for an analysis of the estimated holding period for the property, and the nature

and amount of carrying costs. Carrying costs will include, but not be limited to taxes, insurance, maintenance, marketing, overhead and interest. The Department will document this analysis for each purchase transaction.

4. Closing on properties: Execution of all closing documents and taking title of properties.
5. Property appraisals: As required by NSP, the Department will have an appraisal completed on each property.
6. Turning on the power: The Department will coordinate with the City of Tallahassee Electric Department or with Talquin Electric Cooperative to turn on electricity once the Department holds the title on the property.
7. Rehabilitation: The Department will complete a full rehabilitation of the properties prior to placing them for sale. All rehabilitation work will be completed to Leon County minimum housing code standards and Chapter 553, Florida Statutes. Compliance with these development standards will be verified through final inspections done by a licensed Building Inspector of Leon County's Building Department.

The NSP2 program will comply with the required NSP2 rehabilitation standards. This includes exceeding the Energy Star for New Homes standard for new construction and gut rehabilitative activities, and that moderate rehabilitation or energy retrofits will purchase only Energy Star products and appliances. The Leon County NSP2 program will also adopt NSP-recommended Green sustainable development practices wherever feasible. These practices are outlined under Factor 5 of this narrative.

Through a competitive bidding process, the Department will contract for specific construction/rehabilitation services. The Department will allow and pay for development fees that are fair and reasonable as part of the rehabilitation process. Cost of rehabilitation can include labor, materials, supplies, permits, lead paint assessment, abatement and clearance, barrier removal, energy efficiency measures, asbestos removal, and program delivery.

The Department's Housing Rehabilitation Specialist will monitor the progress of construction/rehabilitation on each dwelling, and a final inspection will be done by a licensed Building Inspector of Leon County's Building Department.

8. Sale of rehabilitated homes: Through the Department's Home Owners Assistance program, community outreach, and established network of community agencies and social service providers, the Department will market and advertise available properties and related available funding assistance to very low, low and moderate income potential home buyers. Department staff will assist interested eligible buyers with the home purchase, including the

provision of proof of income. The Department may also direct them to take credit and nee homeowner workshops.

**Program income received from the sale, rental, refinance, equity withdrawal or cause to have placed on the property any form of encumbrance of assisted units will be recycled for eligible NSP2 activities.**

The Leon County NSP2 program will take a different approach to acquiring vacated properties. First, the Department will identify desirable acquisitions that have been vacated for 90 or more days, including identification of the owners. In cases where the property has not been foreclosed and the identified owner cannot be contacted, the Department will consider making the presentation to County for acquisition of the property via condemnation.

**The use of financing mechanisms to assist low- and middle-income individuals and families in the purchase of foreclosed homes:** Using the assistance strategy the Department already has in place through its SHIP program, the County will assist eligible low and moderate income buyers with down payment and closing costs associated with the purchase of the home. The maximum award will be \$7,500, and will be in the form of a deferred payment loan. The term of the SHIP/NSP assistance will coincide with the first mortgage. Payment by the owner will be under the following circumstances: (1) the home buyer sells, transfers, or disposes of the assisted unit (by either sale, transfer, bankruptcy or foreclosure); (2) the home buyer no longer occupies the unit as his/her principal residence; (3) the home buyer dies, or if a married couple, the survivor dies, or; (4) if the home buyer refinances the home without having met the conditions for exemption.

The Department will also explore adding other financial mechanisms approved by NSP, including soft-second, loan loss reserves, and shared-equity loans.

**The establishment of land banking for homes or vacated properties that have been foreclosed or abandoned:** In addition to the anticipated turnaround time for the completion of the rehabilitation of acquired properties, we anticipate that certain properties may take longer to sell. These properties will be placed into a County land bank until a more favorable housing market can be realized.

**Demolition of blighted structures:** We have included in our NSP2 budget request \$50,000 for demolition of blighted structures. In cases where the Department of Housing Services deems that demolition of existing homes is necessary, the Department will direct contracted developers to salvage and re-use materials resulting from demolition activities.

We do anticipate there will be instances where cleared sites may have better community uses, particularly in flood zones where new construction is

inadvisable. In these cases, Leon County may choose to develop passive community parks to serve the surrounding communities. Once developed, these parks will be maintained by the Leon County Division of Parks and Recreation.

- (1) Uses of funds and firm commitments: Leon County is requesting \$10 million in NSP2 funds. As shown in the table below, these funds will be budgeted for the following NSP2 and CDBG eligible activities. We believe these proposed activities are the most likely to stabilize the targeted geographic areas.

<b>NSP-Eligible Uses and Correlated CDBG Eligible Activities</b>	<b>Responsible Entity</b>	<b>Budgeted Amount</b>
<p>(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers</p> <p>(CDBG: as part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206)</p>	<p>Leon County Department of Housing Services</p>	<p>\$750,000</p>
<p>(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, redevelop such homes and properties</p> <p>(CDBG: 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) Relocation, and Direct home ownership assistance. 570.202 eligible rehabilitation and preservation activities for homes and other residential properties)</p>	<p>Leon County Department of Housing Services</p>	<p>\$6,250,000 for acquisition</p> <p>\$2,000,000 for rehabilitation</p>
<p>(C) Establish land banks for homes and residential properties that have been foreclosed upon</p> <p>(CDBG: 24 CFR 570.201 (a) Acquisition and (b) Disposition)</p>	<p>Leon County Department of Housing Services</p>	<p>\$950,000 for maintenance and utilities</p>
<p>(D) Demolish blighted structures and (E) redevelop demolished or vacant properties as housing</p> <p>(CDBG: 24 CFR 570.201(d) Clearance for blighted structures only; (b) Disposition, (c) public facilities and improvements).</p>	<p>Leon County Department of Housing Services</p>	<p>\$50,000 for demolition</p>

Range of interest rates: The County's interest rate will remain between 5.19% and 5.39% for the first 36 months in accordance with the Leon County Housing Finance Authority, securing \$7.68 million in affordable housing revenue bonds.

Duration/term of assistance: The average duration/term of assistance for each property from acquisition through closing with the buyer should be approximately 12 months.

Tenure of beneficiaries: The Department intends to deal with homeownership only. For low and moderate income home buyers, the tenure of benefit is indefinite. The location of homes will be within census tracts 24.05 and 25.04 in the unincorporated Leon County.

Commitment of other funds: As stated in an attached letter of commitment from Alan Rosenweig, Assistant County Administrator for Leon County, Florida, Leon County agrees to provide \$527,126 in financial resources over the three year program period. This letter of commitment is included in Appendix D.

Demolition: At this stage, we do not anticipate a real need for the demolition of blighted structures. If a foreclosed or abandoned home does prove to be economically infeasible to rehabilitate, or poses a health or safety risk, we have set aside NSP funds for demolition. Such cleared properties may be placed in an affordable housing land inventory for subsequent construction of a new home.

- b. **Project completion schedule:** the timetable for completion of NSP program activities is based on a start date of January 15, 2010 and an end date of January 15, 2013. A timetable of NSP-related activities is included on the following page.



**NPS Program Timeline – January 15, 2010 through January 15, 2013**

<b>YEAR</b>	<b>2010</b>				<b>2011</b>				<b>2012-2013</b>			
<b>QUARTER</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Purchase, rehabilitation and sale of foreclosed/abandoned homes</b>												
Identification and purchase of foreclosed homes	X	X	X	X	X	X	X	X	X	X	X	X
Rehabilitation		X	X	X	X	X	X	X	X	X	X	X
Sale of rehabilitated homes			X	X	X	X	X	X	X	X	X	X
Identification and acquisition of vacated homes	X	X	X	X	X	X	X	X	X	X	X	X
<b>Financing mechanisms to assist low and middle income individuals/families in the purchase of homes</b>												
Financial assistance	X	X	X	X	X	X	X	X	X	X	X	X
Home buyer education/workshops	X	X	X	X	X	X	X	X	X	X	X	X
<b>The establishment of land banking for homes or vacated properties that have been foreclosed or abandoned.</b>												
Placement of properties into County land bank		X	X	X	X	X	X	X	X	X	X	X
<b>Demolition of blighted structures</b>												
Assessment of feasibility of rehabilitation	X	X	X	X	X	X	X	X	X	X	X	X
Demolition of blighted properties	X	X	X	X	X	X	X	X	X	X	X	X
Re-use of cleared sites			X	X	X	X	X	X	X	X	X	X
<b>Reporting</b>												
Outreach and affirmative marketing actions	X	X	X	X	X	X	X	X	X	X	X	X
Communication of program design, progress, opportunities and results	X	X	X	X	X	X	X	X	X	X	X	X
HUD quarterly reporting	X	X	X	X	X	X	X	X	X	X	X	X
HUD monthly report on use of NSP funds	X	X	X	X	X	X	X	X	X	X	X	X
HUD final report												X

- c. **Income targeting for 120 percent and 50 percent of median:** As outlined in Leon County's State Housing Initiative Partnership (SHIP) Local Housing Assistance Plan (amended January 29, 2009), the County and Department of Housing Services have in place policies ensuring, to the maximum extent practicable and for the longest feasible term, that all NSP2-assisted properties will remain affordable to persons whose income do not exceed (1) 120% of the area median income, and (2) 50% of the area median income. The income limits for eligible recipients as defined in the plan are those official statistics published by the U.S. Department of Housing and Urban Development (HUD) as adjusted for family size. These income limits are incorporated into the plan by reference: very low income is 50% or less of median family income, low income is 51% to 80% of median family income, and moderate income is 81% to 120% of median family income.
- d. **Continued affordability:** Using the guidelines listed in (c) above, "affordable" shall mean that monthly housing payments, including principle, interest, taxes and insurance, shall not exceed 30% of an amount representing the percentage of the median gross annual income for households. Of note, this is not intended to limit a household's ability to devote more than 30% of its income for housing as long as the first mortgage lender is satisfied that the household can afford mortgage payments in excess of the 30% benchmark.

The maximum sales/purchase price of assisted units may not exceed \$204,000 for new or existing houses for Leon County.

- e. **Consultation, outreach, communications:** The County has taken the following steps to ensure the transparency of our NSP2 application as a Recovery Act program.
- (1) **Consultation:** The Department has communicated with the State Point of Contact on our NSP2 application.
- (2) **Outreach and affirmative marketing actions:** NSP housing programs, services and sales will be made know to the public through a diverse, multi-faceted community and media outreach/marketing efforts. Outreach/marketing efforts will include:
- Advertisements, feature articles, and/or information release in local newspapers, newsletters, radio, and television media.
  - Announcements and flyers through lending institutions, churches, business and professional organizations, community centers, social service agencies, non-profits and/or neighborhoods.
  - Public hearings and announcements through televised Board of County Commission meetings.

- Displays and handouts at local housing fairs, showcases or other special community events.
  - Identification of potential clients through code enforcement agencies, human service agencies, and other such contacts.
- (3) Communication of program design, progress, opportunities and results: All NSP programs, progress, opportunities and results will be prominently posted on the Leon County government web site.