

## **AMENDMENT TO CITY OF GREENSBORO'S NEIGHBORHOOD STABILIZATION PROGRAM [NSP] PLAN, BUDGET AND TARGET AREA**

### **PURPOSE:**

City Council approved a Neighborhood Stabilization Program grant Plan for Use of Funds, Target Area and Budget in June 2009. Changes have occurred both to Neighborhood Stabilization Program [NSP] requirements and within the housing market activity in the targeted areas. Housing and Community Development staff is requesting updates to these three components to conform to the changes and better respond to current market conditions and development opportunities. The program requires that a public hearing be conducted for substantial changes to the plan or budget.

### **BACKGROUND:**

**Amendment to Plan for Use of Funds** – The City's plan for use of NSP funds included three primary activities – Homebuyer Repair Assistance, Acquisition/Rehabilitation/Resale of NSP-Eligible Property and Permanent Supportive Housing. The Homebuyer Repair Assistance was planned for use as a companion repair loan to purchasers using the North Carolina Housing Finance Agency's NSP funding for acquisitions of foreclosed property. However, NCHFA elected not to directly fund homebuyer loans. They chose to provide downpayment assistance and to purchase eligible private market loans. This made it very difficult to insert a City repair loan component into a private market closing schedule. HCD staff recommends the deletion of this activity and redistribution of those funds to the two remaining activities.

**Added Activity Line** – Rehabilitation of a vacant facility for public use is an NSP-eligible activity. The City is currently working with Guilford County, the Community Foundation of Greater Greensboro and the Interactive Resource Center to fund the rehabilitation and operations of a day center located at 407 E. Washington Street. The proposed NSP budget revision includes \$400,000 for Public Facilities and Improvements. This is simply a budget adjustment to make the funds available. A project would still need to demonstrate adequate feasibility for Council approval of a project allocation.

**Amendment to Eligible Target Area** – The City developed an NSP target area based on the HUD-determined highest risk census tracts for foreclosures. Subsequent to the submittal of our plan, the Division of Community Assistance [DCA] chose to approve areas based on zip codes. The five zip codes which were approved by DCA for the program are 27401, 27403, 27405, 27406 and 27407. The proposed amended target area includes all areas within these 5 zip codes which are within the City limits.

**Amendment to Budget** – The City's plan for use of NSP funds focused on the acquisition of foreclosed property within four target neighborhoods which have ongoing housing activities. The attached revised budget shifts funding from the accounts designated for Homebuyer Repair Assistance and acquisition of foreclosed property to support for redevelopment opportunities for condemned and vacant properties. Very few foreclosures are currently available in the targeted areas, however there are significant needs for ongoing redevelopment activity and an identified need for a homeless day center in Greensboro.

## City of Greensboro

### Amended Plan for Neighborhood Stabilization Assistance Programs

Posting Date: April 9, 2010

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City staff have been in discussions with three statewide intermediaries, NCHFA, NCCDI and Self-Help, who are providing funding under the State NSP grant in the areas of homebuyer assistance and acquisition/rehabilitation to better understand the possibilities for partnership and opportunities to leverage their funds.

***Procedures outlined below are subject to change based on further program clarification and guidance from HUD or the Division of Community Assistance.***

#### **Acquisition/Rehabilitation/Resale of NSP-Eligible Property**

Self Help is providing a developer line of credit for acquisition/rehabilitation at prime plus 1% and 80% loan to value ratio. They are working in partnership with the cities of Charlotte and Durham to carry out development activities. The NC Community Development Initiative is also offering a developer line of credit at 2-5% interest. The City proposes to leverage these options or other available construction financing to the greatest extent possible.

The City is proposing to carry out acquisition through a maximum of two non-profit organizations designated as purchasing agents. These entities will focus on the purchase of NSP eligible property in defined geographic areas. Properties will be purchased in accordance with a City-defined purchase priority list.

- Eligible property in City owned foreclosure inventory
- Foreclosed property in areas designated for HOME presumption of affordability – for homeownership
- Blighted property in areas designated for HOME presumption of affordability – for homeownership
- Property targeted by the City for NSP (includes neighborhood input)
- Foreclosed property in NSP target areas – for ownership or rental affordable to less than 50% AMI
- Blighted property in NSP target areas – for ownership or rental affordable to less than 50% AMI

Areas currently designated for presumption of affordability include: Eastside Park, Ole Asheboro, Arlington Park and Glenwood neighborhoods.

Qualified non-profit agencies may apply to be a purchasing agent. Purchasing agents will be reimbursed for eligible acquisition, maintenance and disposition costs and fees according to a negotiated schedule. [Note: A Purchasing Agent has been selected.]

Qualified non-profit or for profit developers may apply to purchase property from the purchasing agents for rehabilitation and sale to qualified homebuyers or investor owners as approved by the City. Pre-qualified properties will maintain their NSP eligibility through these transfers, subject to compliance with the program terms. To ensure greater developer inclusion, all developers are limited to no more than 7 properties.

Conditions and process for developer and purchasing agent qualification will be established by the City. A draft list of conditions is attached. Unit allocations will be based on a request for proposals process. A qualified homebuyer could partner with a qualified developer under

a proposal for a specific unit. Any units left unsold through the request for proposals process may be rehabilitated and sold by the purchasing agent, or transferred to the City for rehabilitation and sale.

The City will provide the underwriting for NSP subsidy levels based on a project financial submittal from the developer. The City will establish design standards (where none exist) and approve all rehabilitation write-ups, plans and material specifications. Developers will be required to comply with the following, as necessary:

- Bring all units to the City's building codes and Housing and Community Development written rehabilitation standards.
- Comply with Section 106 historic rehabilitation guidelines for houses over 50 years old or otherwise considered contributing structures.
- Incorporate lead hazard remediation via lead paint certified contractors in pre-1978 houses. Lead test and Risk Assessment must be performed and identified lead hazards remediated following HUD interim control and abatement methods. After all work is completed, the home must be retested and receive a clearance report.
- Meet energy efficiency goals outlined in the City's written rehabilitation standards. Energy audits and HERS testing will be required.
- Incorporate integrated pest management standards for infestations.
- Incorporate green building practices and materials to the extent practicable.

NSP subsidy will be provided in an amount necessary to bring the sales cost down to a fair market value or rents to an affordable level, as determined by project underwriting. Subsidy will be provided as a grant or a loan depending on project location and program guidelines. Details will be provided in the project specific request for proposals.

Developers will be required to sell or rent to income eligible households with eligibility confirmed by the City. Homebuyers will be required to live in the home as their principal residence for the length of an affordability period established by the subsidy calculations, and may be subject to recapture or resale restrictions.

\$1,300,000 has been proposed for the following eligible activities: Acquisition, Rehabilitation or New Construction, Disposition, Housing Counseling, Demolition, Relocation and Direct Homeownership Assistance, with an estimated 20 assisted homebuyer or rental units.

\$400,000 has been proposed for the following eligible activity: Rehabilitation of Public Facilities with an estimated 1-2 facilities renovated.

### **Permanent Supportive Housing**

The City will conduct a Request for Proposals process for identification of eligible non-profit housing or services organizations which have the capacity to carry out and manage permanent supportive housing. Shared housing or group homes are not an eligible use for permanent supportive housing. [Note: An RFP has been issued for Permanent Supportive Housing]

\$800,000 has been designated in our NSP grant application for Financing Mechanisms with an estimated 8 assisted rental units

### **Geographic Area**

The State allocation agency has requested that our service territory be identified by zip codes. We are recommending the NSP eligible areas within zip codes 27401, 27403, 27405, 27406 and 27407 for all program areas based on foreclosure history, levels of need and

active community development service areas. NSP eligible areas are outlined on the attached map

**For More Information:**

**Homebuyers and Buyer's Agents:**

Rhonda Enoch, City of Greensboro Homebuyer Assistance Program, 336-373-4147  
Rob Rusczak, NC Housing Finance Agency, NSP Homebuyer Loans, 919-875-3777  
Will Shuford, Self-Help Credit Union, NSP Homebuyer Loans, 336-478-2600

**Seller's Agents:**

Cynthia Blue, City of Greensboro NSP Program Manager, 336-433-7376

**Developers:**

Ron Bodkin, Self-Help, Developer Financing, 919-956-4688  
Nat James, NC Community Development Initiative, Developer Financing, 919-835-6004  
Cynthia Blue, City of Greensboro NSP Program Manager, 336-433-7376

**Attachments:**

1. Draft Developer Qualifications
2. Draft Purchasing Agent Qualifications
3. Draft Permanent Supportive Housing Provider Qualifications
4. Draft Program Budget
5. NSP Eligible Area Map

## **DRAFT GUIDING PRINCIPLES FOR DEVELOPER QUALIFICATION**

### **Developer should:**

1. Have built and sold at least one home in the past three years, *OR* completed substantial rehabilitation (costs of at least \$40,000 or \$38/sq. ft.) on at least one home in the past three years, *OR* demonstrate 5 or more years of successful experience & expertise in the role of a real estate developer.
2. Demonstrate a track record of developing and maintaining quality rental property (only applies if property will be developed as rental).
3. Provide a summary of qualifications & experience and general contractor license number.
4. Hold a City of Greensboro privilege license.
5. Be an entity rather than an individual.
6. Provide a minimum of two examples of previous work completed locally, including owner name and contact information, description of work and street address.
7. Provide evidence of construction financing. May be either a commitment letter from a lender or copies of bank statements evidencing the availability of funds specifically designated for this project.
8. Provide a Certificate of Insurance (with the City named as an additional insured) reflecting General Liability (minimum \$1,000,000 per occurrence), Workers Compensation (as required by statute) and Builder's Risk coverage.
9. Provide a description of the marketing method to be used to sell or rent the home(s).
10. Provide a signed, current financial statement that includes assets, liabilities, and net worth.
11. Disclose and explain any of the following:
  - a. Current financial default of more than sixty days duration
  - b. Mortgage assignment or workout arrangement
  - c. Foreclosure
  - d. Bankruptcy
  - e. Litigation relating to financing or construction of a project, which is pending or which was adjusted with a finding of liability against the builder, including mechanic's and materialmen's lien litigation.
  - f. Real estate tax delinquencies (past two years).
  - g. Explanation for any projects in the past five years not completed within budget

## **DRAFT GUIDING PRINCIPLES FOR PURCHASING AGENT QUALIFICATION**

### **Purchasing Agent should:**

1. Be a 501(c)(3) non-profit land development or real estate related organization.
2. Have built and sold at least one home in the past three years, *OR* completed substantial rehabilitation (costs of at least \$40,000 or \$38/sq. ft.) on at least one home in the past three years, *OR* demonstrate 5 or more years of successful staff experience & expertise in the role of real estate acquisition and development.
3. Provide a summary of qualifications and experience of key staff.
4. Provide a sample budget or schedule of fee for services for acquisition and disposition of property.
5. Provide evidence of a minimum of \$300,000 in acquisition financing. May be either a commitment letter from a lender or copies of bank statements evidencing the availability of funds specifically designated for this project.
6. Provide a signed, current financial statement that includes assets, liabilities, and net worth.
7. Hold a City of Greensboro privilege license.
8. Provide a Certificate of Insurance (with the City named as an additional insured) reflecting General Liability (minimum \$1,000,000 per occurrence) and Workers Compensation (as required by statute) coverage.
9. Provide a description of the marketing method to be used to attract developers, or sell or rent the home(s).
10. Purchasing Agents will comply with all City auditing and monitoring requirements as well as federal requirements related to the Neighborhood Stabilization Program.
11. Disclose and explain any of the following:
  - a. Current financial default of more than sixty days duration
  - b. Mortgage assignment or workout arrangement
  - c. Foreclosure
  - d. Bankruptcy
  - e. Litigation relating to financing or construction of a project, which is pending or which was adjusted with a finding of liability against the builder, including mechanic's and materialmen's lien litigation.
  - f. Real estate tax delinquencies (past two years).
  - g. Explanation for any projects in the past five years not completed within budget.

## **DRAFT GUIDING PRINCIPLES FOR PERMANENT SUPPORTIVE HOUSING QUALIFICATION**

### **Permanent Supportive Housing Provider should:**

1. Be a for profit or 501(c)(3) non-profit housing related organization.
2. Have at least 3 years direct experience in the ownership and management of permanent rental housing and 3 years direct experience in service provision or signed partnership agreement with similar experienced services provider for the targeted population.
3. Provide a summary of qualifications and experience of key staff.
4. Provide an audited current financial statement that includes assets, liabilities, and net worth.
5. Hold a City of Greensboro privilege license.
6. Provide a description of the affirmative marketing method to be used to attract eligible tenants.
7. Permanent Supportive Housing Providers will comply with all City auditing and monitoring requirements as well as federal requirements related to the Neighborhood Stabilization Program.
8. Disclose and explain any of the following:
  - a. Current financial default of more than sixty days duration
  - b. Mortgage assignment or workout arrangement
  - c. Foreclosure
  - d. Bankruptcy
  - e. Real estate tax delinquencies (past two years).
  - f. Explanation for any projects in the past five years not completed within budget.
9. Address additional items in a request for proposals package including, but not limited to:
  - a. Provide a detailed sources and uses table, development budget, operating budget and cash flow pro forma for full term of the anticipated financing.
  - b. Provide proof of zoning appropriate to planned use.
  - c. Provide proof of foreclosed or abandoned status.
  - d. Provide evidence of commitments for project financing. May be either a commitment letter from a lender or copies of bank statements evidencing the availability of funds specifically designated for this project.
  - e. Provide supportive services plan and budget

## X. PROJECT BUDGET

Name of Applicant and Grant Number:

City of Greensboro 08-N-1888

Neighborhood Stabilization Program

	1. NSP Grant Amount	<i>\$2,625,000</i>		
	2. Other Funds			
	3 Total Project Resources	<i>\$2,625,000</i>		
4. Activity/Eligible Use	5. NSP Amount	6. Other Funds Amount	7. Correlated NSP Eligible Use (A, B, C, D, or E)	8. Total Project Cost (From Columns 5 and 6)
a. Establishment of Finance Mechanism for purchase and redevelopment (Foreclosed Homes/Residential Properties)	<b>\$800000</b>	\$	A	\$800000
b. Construction, Redevelopment Activities				
(1) Acquisition	<b>\$220000</b>	\$	E	<i>\$220000</i>
(2) Public facilities and Improvements	<b>\$400000</b>	\$		<i>\$400000</i>
(3) Disposition	<b>\$8500</b>	\$	E	<i>\$8500</i>
(4) Public Services for Housing counseling	\$0	\$		\$0
(5) Relocation	\$0	\$		\$0
(6) Direct Homeownership Assistance	\$0	\$		\$0
(7) New Construction/Substantial Rehab	<b>\$175000</b>		E	<i>\$175000</i>
c. Purchase and rehabilitate homes and residential properties (Abandoned or Foreclosed)				
(1) Acquisition	<b>\$500000</b>	\$	B	\$500000
(2) Rehabilitation (includes counseling)	<b>\$206500</b>	\$	B	\$206500
(3) Disposition	\$100000	\$	B	\$100000
(4) Relocation	\$30000	\$	B	\$30000
(5) Direct Homeownership Assistance	\$24000	\$	A	\$24000
(6) Public Services for Housing Counseling	\$0	\$		\$0
d. Demolish Blighted Structures (Clearance)	\$36000	\$	D	\$36000
e. Establish land banks (Foreclosed Homes)	\$0	\$		\$0
f. Other Activities	\$0	\$		\$0
g. <b>SUBTOTAL</b>	\$2500000	\$		\$2500000
h. Administration	\$125000	\$	Admin	\$125000
i. <b>Total</b>	\$2625000			<i>\$2650000</i>

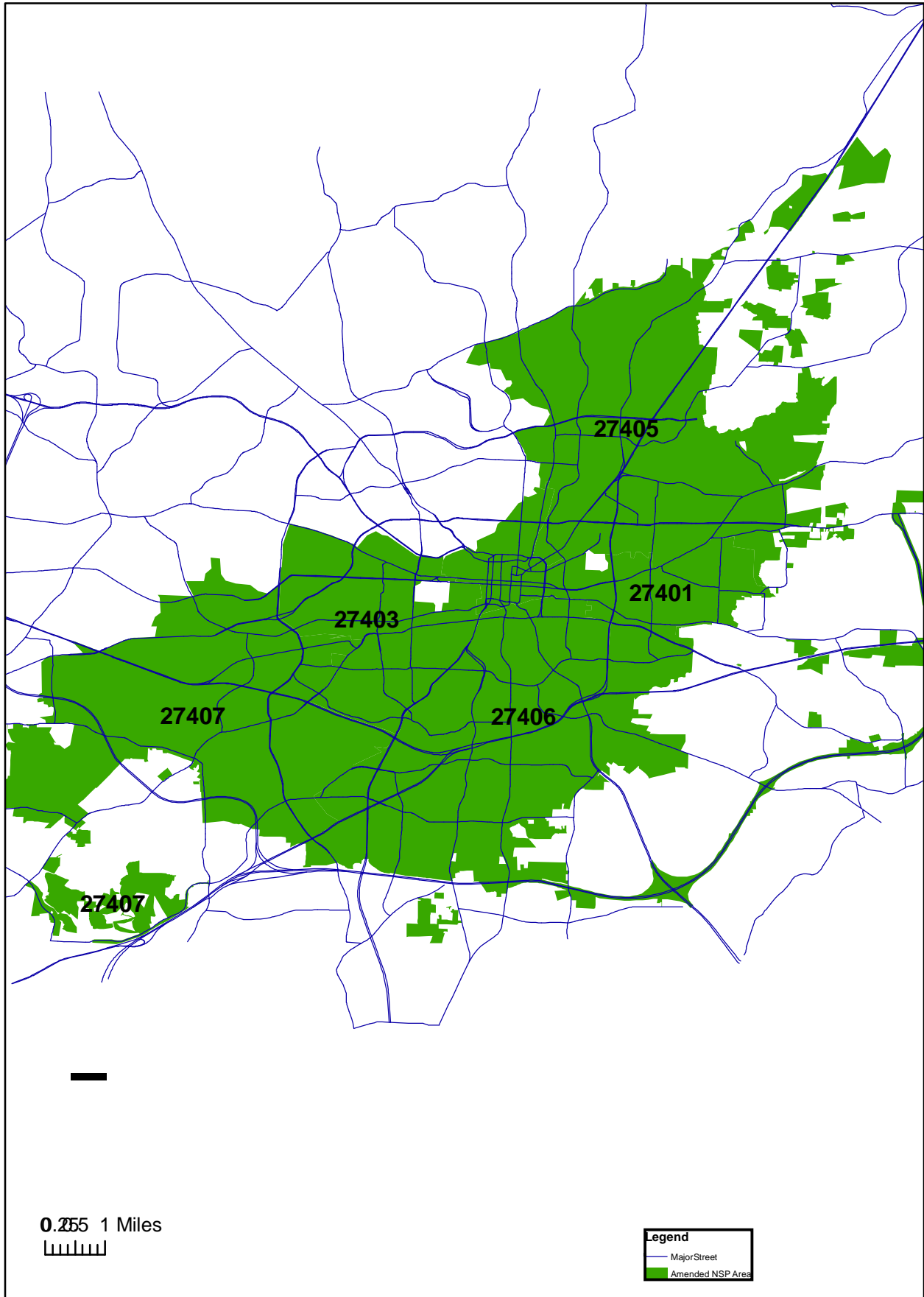
## XI. PROJECT TARGETING AND OBLIGATION METHOD

Name of Applicant and Grant Number:

City of Greensboro 08-N-1888

4. Activity/Eligible Use	5. Amount of 30% Low-Income Targeting Requirement	6. Obligation Method (i.e. Rehabilitation contract, Purchase Contract etc.)
a. Establishment of Finance Mechanism for purchase and redevelopment (Foreclosed Homes/Residential Properties)	<b>\$ 800,000</b>	Purchase/Rehab contract – Permanent Supportive Housing
k. Construction, Redevelopment Activities		
(1) Acquisition	\$	
(2) Public facilities and Improvements	\$	
(3) Disposition	\$	
(4) Public Services for Housing counseling	\$	
(5) Relocation	\$	
(6) Direct Homeownership Assistance	\$	
( 7) New Construction/Substantial Rehab		
l. Purchase and rehabilitate homes and residential properties (Abandoned or Foreclosed)		
(1) Acquisition	\$	
(2) Rehabilitation	\$	
(3) Disposition	\$	
(4) Relocation	\$	
(5) Direct Homeownership Assistance	\$	
(6) Public Services for Housing Counseling	\$	
m. Demolish Blighted Structures (Clearance)	\$	
n. Establish land banks (Foreclosed Homes)	\$	
o. Other Activities	\$	
p. <b>SUBTOTAL</b>	\$800000	
q. Administration	\$	
r. <b>Total</b>	\$800000	

# City of Greensboro - Amended NSP Target Area within the City limits and zip codes 27401, 27403, 27405, 27406, 27407



Source: USPS Zip Codes; City Limit

April 5, 2010