

# CITY OF HOMESTEAD



## ANNUAL ACTION PLAN FY 2008-2009

### NSP SUBSTANTIAL AMENDMENT

DECEMBER 1, 2008

# THE NSP SUBSTANTIAL AMENDMENT

<p><b>Jurisdiction(s):</b> City of Homestead, Florida</p> <p><b>Jurisdiction Web Address:</b>  <a href="http://www.cityofhomestead.com">www.cityofhomestead.com</a></p>	<p><b>NSP Contact Person:</b> Laurin Yoder, Community Development Manager</p> <p><b>Address:</b> 790 N. Homestead Boulevard, Homestead, Florida 33030</p> <p><b>Telephone:</b> 305-224-4485</p> <p><b>Fax:</b> 305-224-4489</p> <p><b>Email:</b> <a href="mailto:lyoder@cityofhomestead.com">lyoder@cityofhomestead.com</a></p>
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## A. AREAS OF GREATEST NEED

**Provide summary needs data identifying the geographic areas of greatest need in the grantee’s jurisdiction.**

**Response:** The City of Homestead has reviewed the data supplied by HUD and has extracted the portions of the data that was deemed most relevant to the areas that have been infused with foreclosures and abandoned properties. This data, in combination with available local data, was used to determine the areas that were in the greatest need of assistance and redevelopment. **Table 1** below is an extraction of the jurisdictional data provided by HUD identifying the City of Homestead’s rate of foreclosure, abandonment and high risks loans.

**Table 1**

Jurisdiction	City of Homestead
County	Miami-Dade
<b>Households (2000 Census)</b>	<b>10,077</b>
Foreclosure Starts (within 18 months)	1,536
Total Mortgages	15,653
<b>Foreclosure Starts Rate</b>	<b>10%</b>
90-Day Vacancies (Abandonment)	585
Total Addresses	17,048
<b>90-Day Vacancy Rate</b>	<b>3%</b>
High Cost Loans (2004-2006) (Subprime)	4,178
Total Loans (2004-2006)	8,800
<b>High Cost Loan Rate</b>	<b>47%</b>
<b>Unemployment Rate</b>	<b>4.30%</b>
<b>Price Change as of June 2008</b>	<b>-10.70%</b>

The data listed in **Table 1** suggests that the City of Homestead has a relatively high foreclosure rate of 10% when compared to the State of Florida's foreclosure rate of 8.0% and a national foreclosure rate of 6.41%. The City of Homestead, in comparison with a large part of the state, has a low vacancy rate; however, when looking at comparable jurisdictions similar in size and demographics, the 3% vacancy rate is significant. HUD has used the vacancy rate as a measurement and signals that properties vacant for more than 90-days could possibly be abandoned properties. Vacant properties in the City of Homestead are primarily located in new developments and distressed areas of the jurisdiction. Due to the housing crisis, for-profit and non-profit developers and other organizations have not been successful in selling properties affordably, if at all. Incomes of potential buyers have not been sufficient to support the purchase of the properties.

The median income of the City of Homestead is approximately **\$28,973** for a family of one, according to the 2000 US Census Bureau. The median home price in the City of Homestead is approximately **\$311,900**. A family earning the median income in the City of Homestead is only able to afford a home valued at **\$89,850**, assuming little debt, a 28% FHA housing ratio and a 30-year fixed rate of 6%. Therefore due to the fact that many families cannot afford the median priced home because of income, they are often forced into subprime products that carry astronomical payment terms. Many of the homes that have been foreclosed on or that are currently on the market are priced at levels that are not affordable to families earning the median income. Therefore, those homes remain on the market in excess of 90-days which could potentially create pockets within the area that devalue quickly, causing a local economic housing crisis.

The City of Homestead is primarily comprised of four (4) ZIP codes – 33030, 33033, 33034 and 33035. There is only a small portion of ZIP code 33034 that is located within the jurisdiction of the City of Homestead – it is primarily in the jurisdiction of Florida City. It is anticipated that impacted areas within the 33034 ZIP code will receive assistance from Miami-Dade County who is slated to receive approximately \$62.2 million in Neighborhood Stabilization Program (NSP) funds from HUD. Therefore, the City of Homestead will primarily focus on the areas that experienced a great deal of foreclosure activity, which are ZIP codes 33030, 33033 and 33035. As of October 23, 2008, the foreclosure matrix for those ZIP codes is as follows:

- \* **ZIP code 33030: 665 foreclosures**
- \* **ZIP code 33033: 1,162 foreclosures**
- \* **ZIP code 33035: 430 foreclosures**

The data provided by HUD reflects that approximately 1,536 foreclosures were initiated from January 2007 – June 2008 (18 months). However, according to information obtained using [www.foreclosures.com](http://www.foreclosures.com), the number of foreclosures for the City of Homestead has increased dramatically – an increase of approximately 721 foreclosures above HUD's estimates.

To that end, the City of Homestead plans to allocate the funding to each ZIP code proportionate to the number of foreclosures within the ZIP code compared to the

aggregate of foreclosures jurisdiction wide. The City’s method of distribution will be outlined in **Section B, Distribution and Uses of Funds**.

Please note that the program descriptions are cursory and will be formalized into policies and procedures once the substantial amendment is approved.

<b>B. DISTRIBUTION AND USES OF FUNDS</b>
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**Provide a narrative describing how the distribution and uses of the grantee’s NSP funds will meet the requirements of Section 2301(c) (2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee’s narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.**

**Response:**

**Allocation of Funding**

The City of Homestead intends to allocate the funding as follows, summarized by ZIP code:

Low Income Targeting (25% set aside)	\$ 721,752.00
ZIP code 33030	\$ 562,967.10
ZIP code 33033	\$ 957,044.07
ZIP code 33035	\$ 356,545.83
Administration	\$ 288,701.00
<b>Total:</b>	<b>\$ 2,887,010.00</b>

Summarized by Activity, the NSP allocation breaks down as follows:

<b>Activity</b>	<b>Amount</b>
Purchase Rehabilitation of Rental Property for low-income Families	\$ 721,752.00
Demolition	\$ 100,000.00
Down Payment Assistance	\$ 888,278.50
Purchase Rehabilitation	\$ 888,278.50
Administration	\$ 288,701.00
<b>TOTAL</b>	<b>\$ 2,887,010.00</b>

Summarized by ZIP code and activity:

<b>ZIP code</b>	<b>Activity</b>	<b>Percentage Allocated by Activity Per ZIP code</b>	<b>Amount</b>
33030	Demolition	100%	\$ 100,000.00
33030	Down payment Assistance	30%	\$ 266,483.55
33030	Purchase Rehabilitation	30%	\$ 266,483.55
33033	Down payment Assistance	51%	\$ 453,022.04
33033	Purchase Rehabilitation	51%	\$ 453,022.04
33035	Down payment Assistance	19%	\$ 168,772.92
33035	Purchase Rehabilitation	19%	\$ 168,772.92
	<b>Sub Total</b>	<b>100%</b>	<b>\$ 1,876,557.00</b>
		<b>Percentage of Total Allocation</b>	
	Purchase Rehabilitation of Rental Property for low-income Families	25%	\$ 721,752.00
	Administration	10%	\$ 288,701.00
	<b>Sub Total</b>		<b>\$ 1,010,453.00</b>
	<b>Total</b>		<b>\$ 2,887,010.00</b>

### **Methodology**

HUD has indicated that 47% of the loans originated within the City of Homestead from 2004 – 2006 were high cost loans. This voluminous number of high-risk loans is possibly a major contributor to the high foreclosure rate of 10%, far greater than the state of Florida’s foreclosure rate.

HUD provided data that was germane to the entitlement jurisdiction which is the City of Homestead. The data that suggested a 47% high cost loan rate was inclusive of the entire jurisdiction and did not reflect information relative to specific ZIP codes, census tracts, block groups or any other standard segmentation. The City of Homestead is not aware of any entity that maintains data of this detail grouped into segments as stated above. This would require access to information from every financial institution that has originated mortgages in the City of Homestead. Additionally, loans are often originated by financial institutions that may not be physically located within the city limits. Therefore, even if each financial institution within the area provided data regarding high cost loans, it still may not be representative of the activity that has taken place within the entire jurisdiction.

To that end, the City of Homestead is making the following **assumptions** by which to base its method of distribution:

- Areas with lower household incomes are more apt to be subjected to high cost loans
- Areas with higher household incomes potentially receive better loan rates and are better positioned to receive traditional conventional financing
- Higher housing values typically correlate positively with higher income areas. The inverse of that is true as well.
- Foreclosures have a “progressive” correlation to high cost loans
- The more foreclosures that occur in an area, the greater the vulnerability of “high cost” loans being originated in that area

Given the above assumptions, the City of Homestead has prescribed the following formula by which to allocate funding. Allocation of the NSP funding will be done by ZIP code. The percent (%) breakdown of funding is as follows:

- 10% for Administration
- 25% for Low Income Targeting (25% set aside)
- 65% for ZIP code Allocation

**Administration:** Funding will be used to support eligible activities outlined within the CDBG and NSP program provisions and regulations.

**Low Income Targeting (25%) set aside:** The City of Homestead expects to issue a Request for Proposals (RFP) to solicit projects that would serve families with incomes of 50% AMI or less and target markets such as the elderly, disabled, homeless and other special needs populations. Responses will be evaluated in accordance with a pre-determined set of criterion. The RFP will set forth the critical information for which each responder must address in its response. The successful awardee(s) will be required to adhere to all CDBG and NSP regulations. A contract will be issued which will stipulate all requirements specific to the programs.

**ZIP code Allocation:** The areas within the City of Homestead that demonstrate the greatest needs are located in ZIP codes 33030, 33033 and 33035. The latest available data suggests that approximately 2,257 foreclosures have occurred in these areas aggregately. Thirty percent (30%) of the foreclosures in the area occurred in ZIP code 33030. Fifty-one percent (51%) occurred in ZIP code 33033 and 19% in ZIP code 33035. Therefore, funding for each ZIP code will be allocated proportionately to the percentage of foreclosures within that ZIP code. For example, Sixty-five percent (65%) of the total funding is allocated by ZIP code. Of that 65% which equates to approximately \$1.8 million, 30% (\$562,967) will be earmarked for ZIP code 33030 with the others respectively. These ZIP codes will receive a proportionate amount of funding to implement down payment assistance and purchase/rehabilitation activities.

In the event that funding is underutilized in a certain area or the demand for the product is undersubscribed, the City of Homestead reserves the right to reallocate the funding to other areas and eligible activities under the program. If the City needs to devise a completely new strategy in order to expedite usage of the funding which is not outlined in the Amendment, the City will submit a new plan amendment to HUD for approval reflecting the changes to the program.

In summary, the “*areas of greatest need*” are ZIP codes 33030, 33033 and 33035 due to the number of foreclosures in those areas. Conventional wisdom suggests that there is a positive correlation between the number of foreclosures and the origination of high cost loans. Therefore, the City has assumed that the ZIP codes above also have the greatest number of high cost loans in those areas, which are traditionally a part of the “*subprime market*.” Lastly, with a 10% foreclosure rate, it is likely that these three (3) areas will continue to “*experience a rise in home foreclosures*” until the market stabilizes. Additionally, ZIP code 33033 which is slated to receive 51% of the funding has the lowest per household income. Therefore, it is inevitable that additional foreclosures will occur. Based on the information that has been reported above, the City of Homestead considers this part as satisfying Section 2301(c) (2) of the Housing and Economic Recovery Act which requires an analysis of areas of greatest need.

## C. DEFINITIONS AND DESCRIPTIONS

### **Definition of “blighted structure” in context of state or local law.**

For the purposes of the NSP, a blighted structure echoes the criteria for slum and blight found in Florida Statutes Chapter 163.340, which outlines the following conditions:

1. Building deterioration
2. Site deterioration or site deficiencies
3. Unsanitary and unsafe conditions and incompatible uses
4. Six or more ownership parcels per block
5. Buildings greater than 40 years of age
6. Presence of closed/vacant buildings
7. Presence of vacant lots
8. Buildings in violation of property maintenance code violations
9. Presence of buildings scheduled for demolition

A blighted structure will meet one or more of the aforementioned criteria.

### **Definition of “affordable rent.”**

Affordable rent is rent that does not exceed 30 percent of the tenant’s gross income. In the context of the NSP program, affordable rent is no more than 30 percent of the gross income of a family earning 120 percent or less of area median income. For purposes of

the 25 percent set aside within the NSP to assist low income households, affordable rent will not exceed 30 percent of the gross income of a family earning 50 percent or less of area median income.

**Describe how the grantee will ensure continued affordability for NSP assisted housing.**

The City of Homestead will employ one or more methods to ensure the continued affordability of the NSP assisted housing. One method is the use of a lien instrument placed against NSP-assisted real property, such as a mortgage and a note, or a land use restriction agreement (LURA). These documents will outline the terms of assistance and repayment provisions. The City's affordability guidelines will reflect, at a minimum, the NSP guidelines, and will outline the provisions of repayment upon sale or transfer. The City of Homestead, at a minimum, will use the HOME program's affordability standards depending on the level of NSP assistance applied to each transaction. The City also anticipates adding an additional five to ten years to the standard affordability period to ensure that the property remains affordable for an extended period of time. Any repayment of funds provision correlative to the additional affordability requirements will be stipulated in the loans documents and recorded as appropriate. The interest rate on the NSP funding may range from 0% - 3%.

**Describe housing rehabilitation standards that will apply to NSP assisted activities.**

The City of Homestead will use the specifications currently used to rehabilitate houses in the CDBG program. These specifications ensure compliance with Section 8 minimum housing standards, local and state requirements.

**D. LOW INCOME TARGETING**

**Identify the estimated percentage of funds appropriated or otherwise made available under this section to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose income do not exceed 50% of area median income:**

Low Income Targeted funding will be at least 25% of the HERA budget and will be allocated according to greatest need within any of the identified ZIP codes.

**E. ACQUISITION AND RELOCATION**

**Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income).**

**If so, include:**

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq 120\%$  of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

**Response:**

The City does not intend to demolish or convert any currently-occupied low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income). The City has identified demolition as an activity that will utilize NSP funding in the amount of \$100,000. However, the City does not intend to demolish occupied residential properties – all demolitions will occur on abandoned property. The City will immediately notify HUD in the event that the demolition of an occupied unit is required, and will follow the guidelines of the Uniform Relocation Act (URA).

<b>F. PUBLIC COMMENT</b>
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**Provide a summary of public comments received to the proposed NSP Substantial Amendment.**

**Response:**

The City conducted an advertised meeting open to the public on October 27, 2008 at 2:00 p.m. at Homestead City Hall. Sixteen people attended the meeting and represented the public, lenders, community groups, Realtors and the City. The comments included concerns about the need for down payment assistance, the large amount of existing and vacant/foreclosed housing stock, program methodology, concerns about homeowner association liens on foreclosed properties, and general programmatic questions.

Complete minutes are in Appendix A beginning on page 22 of this document.

## **G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

The following is a description of the NSP activities which the City of Homestead intends to undertake. Given the brief time frame allowed for the development of this plan, the City may need to transfer funds between neighborhoods and line items as the NSP unfolds. The City will provide the required documentation and follow amendment procedures if necessary to reflect modifications.

**(1) Activity Name: Purchase Rehabilitation of Rental Property for Low-Income Families**

**(2) Activity Type: (include NSP eligible use & CDBG eligible activity)**

NSP Activity: Purchase and rehabilitate rental properties that have been abandoned or foreclosed for persons at 50% or less of area median income

CDBG Activity: Acquisition, disposition and direct homeowner assistance per 24 CFR 570.201 (a), (b) and (n).

**(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq$  120% of area median income).**

Benefit to low-income persons  $\leq$  50% of area median income.

**(4) Projected Start Date: March 2009**

**(5) Projected End Date: September 2010**

**(6) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)**

Laurin Yoder, CD Manager, (305) 224-4485  
City of Homestead  
790 North Homestead Boulevard  
Homestead, Florida 33030

**(7) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)**

ZIP codes 33030, 33033, and 33035 within the City limits of incorporated Homestead.

**(8) Activity Description:**

**Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this**

activity will be used to meet the low income housing requirement for those below 50% of area median income.

**For housing related activities, include:**

- **tenure of beneficiaries – rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

According to NSP guidelines, at least 25 percent of funding must be allocated to persons making 50 percent or less of AMI. One of the concerns with families at this income level is their ability to meet the ongoing financial obligations of homeownership, such as homeowners' association dues, taxes, and insurance. In order to address this demographic, the City feels the best strategy would be to conduct a Request for Proposal from local non-profits to create rental housing for special needs and the 50 percent LMI population.

The terms of assistance will be pursuant to HOME regulations according to the amount of assistance received. In addition, an affordable period of another 5 to 10 years will be added to the initial affordability period. During the 5 to 10 years after the initial affordability period has expired, the loan will amortize until forgiven. The rate of interest is 0 to 3 percent. Sale or transfer within the affordability period will require repayment to the program. A mortgage, note and/or land use restriction agreement will be executed by the property owner as a condition of assistance.

Rent for eligible residents will not exceed 30 percent of the applicants' gross income. Continued affordability will be ensured through a subrecipient agreement that addresses eligible beneficiaries, application process, rental rates, and subrecipient monitoring to ensure programmatic compliance.

**(9) Total Budget: (Include public and private components)     \$721,752 (25% of Allocation)**

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

Create 10 rental units for low-income families and special needs residents of Homestead at or below 50 percent of AMI.

(1) **Activity Name:** Demolition

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP Activity: Demolish blighted structures

CDBG Activity: Clearance for blighted structures per 24 CFR 570.201 (d).

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Benefit to persons at or below 120 percent of area median income.

(4) **Projected Start Date:** March 2009

(5) **Projected End Date:** September 2010

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Laurin Yoder, CD Manager, (305) 224-4485

City of Homestead

790 North Homestead Boulevard

Homestead, Florida 33030

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

ZIP code 33030 will receive demolition funding because this area of the City contains a disproportionate number of vacant and abandoned buildings. The other ZIP codes used as a basis for assistance in this amendment contain mostly newer construction that is relatively well maintained.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries – rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

Demolition activities will address vacant and blighted residential structures in the 33030 ZIP code within incorporated Homestead. This area has greater need of demolition activities than the other ZIP codes in the City. City-owned properties will be eligible for demolition assistance as well as privately-owned land. Property assisted with demolition funds will be designated for LMI housing within 10 years unless NSP funds are returned to the City for other NSP uses.

Demolition of structures on privately-held property will occur in one of two circumstances. First, the property owner consents to have the property demolished and agrees to sign a mortgage and note acknowledging the use of NSP funding. The mortgage and note will specify that the property owner must create affordable housing opportunities on the vacant property within 10 years or return the NSP funds to the City. The terms of affordability will mirror other NSP activities in the City and will run for a period reflective of HOME regulations, beginning from the date of demolition, and amortizing over time after the initial affordability period. The rate of interest will be zero percent.

The costs to demolish most residential structures is between \$8,000 to \$12,000, and the City estimates that about 8 demolitions will be possible. The budget in this activity also accounts for related costs such as environmental reviews, lead-based paint and asbestos surveys, title searches, and utility abandonments.

**(9) Total Budget: (Include public and private components)      \$100,000**

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

Demolish 8 units of blighted housing.

(1) **Activity Name:** Down payment Assistance

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP Activity: Establish financing mechanisms to purchase and rehabilitate residential properties that have been abandoned or foreclosed upon in order to sell such homes using down payment assistance.

CDBG Activity: Purchase, disposition, and direct homeowner assistance, per 24 CFR 570.201 (a) (b) and (n).

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Benefit to persons at or below 120 percent of area median income.

(4) **Projected Start Date:** March 2009

(5) **Projected End Date:** September 2010

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Laurin Yoder, CD Manager, (305) 224-4485  
City of Homestead  
790 North Homestead Boulevard  
Homestead, Florida 33030

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

ZIP codes 33030, 33033, and 33035 within the City limits of incorporated Homestead.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries – rental or homeownership;
- duration or term of assistance;

- a description of how the design of the activity will ensure continued affordability.

**For acquisition activities, include:**

- discount rate

**For financing activities, include:**

- range of interest rates

One of the primary concerns raised by members of the public, local bankers, and Realtors is the need for down payment assistance to assist buyers with the purchase of foreclosed properties. The City believes that this is an important activity that will help eligible homeowners and invigorate neighborhoods.

The program will be subject to the following guidelines:

- Properties will be owned by financial institutions and be foreclosed.
- Properties will be offered to eligible homeowners at a discount below appraised value as required by NSP guidelines.
- The total cost of the house, including any necessary repairs, may not exceed the current mortgage limits established by FHA.
- Loan rates and terms will be competitive and based on the borrower's credit. Subprime loans or predatory lending practices will not be subject to assistance.
- Lending institutions will be encouraged to market their foreclosed properties and qualify applicants.
- Applicants must contribute at least \$1,500 towards the purchase of the house.
- Applicants must complete an 8-hour approved homebuyer education class.
- Down payment assistance will be no more than \$50,000 per house.
- The interest rate will be zero percent.
- Down payment assistance will be for a term pursuant to HOME regulations according to the amount of assistance. There will be an additional term of 5 to 10 years added to the affordability period, during which time the down payment assistance will amortize in equal amounts until forgiven. Sale or transfer of the property within the initial affordability period will result in a return of all NSP funds to the City of Homestead. A mortgage and note will be executed by the property owner to ensure the terms of NSP assistance.

**(9) Total Budget: (Include public and private components)      \$888,278.50**

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

Provide down payment assistance to 18 households at or below 120 of AMI.

(1) **Activity Name:** Purchase/Rehabilitation

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP Activity: Purchase and rehabilitate residential properties that have been abandoned or foreclosed upon in order to sell such homes.

CDBG Activity: Purchase, disposition, and direct homeowner assistance, per 24 CFR 570.201 (a) (b) and (n).

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Benefit to persons at or below 120 percent of area median income.

(4) **Projected Start Date:** March 2009

(5) **Projected End Date:** September 2010

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Laurin Yoder, CD Manager, (305) 224-4485  
City of Homestead  
790 North Homestead Boulevard  
Homestead, Florida 33030

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

ZIP codes 33030, 33033, and 33035 within the City limits of incorporated Homestead.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries – rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

As indicated by the information contained in the initial sections of this application, there are a number of foreclosed properties in the City. Many of these properties are deteriorated and require repairs in order to effectively market and sell. In addition, there may be problematic issues with clear titles, and some significant work may be involved gaining clear title to make a sale possible.

Therefore, the City believes that the purchase, rehabilitation and sale of certain types of properties are an important component of NSP planning. There are three major components of this activity:

**Purchase of Property:**

- Identify and purchase foreclosed properties;
- Negotiate a discount sale with current owner below appraised value as required by NSP guidelines;
- Clear title as necessary; and
- Close on property, ensuring that the post rehabilitation cost will not exceed FHA limits.

**Rehabilitation of Property:**

- Following existing CDBG housing rehabilitation standards and procedures, evaluate the house for repairs;
- Conduct a work write up on the home;
- Bid the work;
- Proceed with rehabilitation; and
- Appraise the completed housing property.

**Transfer of the Property:**

- Set a sale price by discounting the price of the home by 10 percent below appraised value, up to 30 percent depending on circumstances as determined by the City;
- Identify eligible buyers through local agencies or via direct application;
- Qualify the applicants;
- Applicants must contribute at least \$1,500 towards the purchase of the house;
- Applicants must complete an approved 8-hour homebuyer education class;
- Applicants must obtain a mortgage from a lender for the appraised price of the home minus 10 – 30 percent;

- The amount of City subsidy will be the amount between the purchase price and the appraised price and be for a term pursuant to HOME regulations according to the amount of assistance provided. An additional period of 5 to 10 years will commence after the initial affordability period has expired, during which time the assistance will be amortized completely. Sale or transfer prior to the expiration of the initial affordability period will result in a return of all NSP funds to the City of Homestead. The interest rate is zero percent. A mortgage and note will be executed by the property owner reflecting the terms of the NSP; and
- Proceeds from the sale or transfer of the house prior to expiration of the affordability period will be returned to the City and will be used for further NSP activities.

**(9) Total Budget: (Include public and private components)      \$888,278.50**

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

Purchase, rehabilitate and sell 8 houses to income-eligible families at or below 120 percent of AMI.

(1) **Activity Name:** Administration

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

Administration

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

NA

(4) **Projected Start Date:** March 2009

(5) **Projected End Date:** Ongoing

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Laurin Yoder, CD Manager, (305) 224-4485  
City of Homestead  
790 North Homestead Boulevard  
Homestead, Florida 33030

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The City of Homestead

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries – rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

Conduct all activities necessary to administer NSP, not including project delivery.

**(9) Total Budget: (Include public and private components)     \$288,701**

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

Completion of NSP within contractual parameters.

APPENDIX A  
PUBLIC COMMENTS



**City of Homestead  
Neighborhood Stabilization Program Stakeholder's Meeting  
Minutes**

Monday, October 27, 2008 at 2:00 p.m.

The City of Homestead held a Stakeholder's meeting to solicit input from the public on the Neighborhood Stabilization Program that was created out of the Housing and Economic Recovery Act of 2008. The meeting was held on October 27, 2008 at 2:00 p.m. in the City Hall Council Chambers.

**Present:** Luis Dilan, Ana Zalensky, **Linda Comber**, **Roger Trujillo**, Larry Roth, **Tom David**, Lucy Santamaria, R. Tafur, Willie Carpenter, Curt Ivy, Jeffrey Codallo, **Arden Shank**, Tony Garcia, Kevin Sullivan, Susan Newman, **Steven Losner**. (Bold indicates speakers)

**Consultant:** Calvin Knowles, Meridian Community Services Group, Inc. and Nancy Phillips, Nancy Phillips & Associates

**Staff Present:** Laurin Yoder

City's Community Development Director, Laurin Yoder, called the meeting to order and welcomed those present. She introduced consultants Calvin Knowles and Nancy Phillips

Mr. Knowles gave a brief explanation of the Neighborhood Stabilization program. He further stated that now is the opportunity for the public to put their comments and questions on the record. The NSP was created out of the Housing of Economic Recovery Act of 2008 (HERA). It is a \$3.92 Billion emergency program that was created to assist with the foreclosure crisis in the U.S. The City of Homestead will be receiving \$2.8 Million for the NSP. The NSP funds are being made available through Department of Housing and Urban Development (HUD), through an existing program, Community Development Block Grant (CDBG) Program. Many of the CDBG rules do apply to this program, and some do not. So, what is this funding for? The funding is not for direct homeowner assistance or people who are currently having problems with their mortgages. The funds are designed to allow the City of Homestead to buy properties that have already been foreclosed, or are in visible distress, such as abandoned properties. The City can buy these properties at a discount price. The property is identified, appraised, purchased by the City at a pre-negotiated discount, rehabilitated and sold to people who make up to 120% of the area median income (AMI). It does allow the City to use the funds to create a land bank; for example, to buy vacant properties and hold them for no more than 10 years, and turn them around into affordable housing. It also allows the City to create a guarantee fund for risky

mortgages; for example if a bank is not willing to underwrite a high risk homeowners, the City can use some of these funds as a set aside for a loan loss reserve fund.

Mr. Knowles further explained how the City will most likely focus the funds. The City is planning to buy foreclosed properties, rehabilitate them, and then repackaging them, and resale them to low income homeowners. There is a provision in the NSP notices that 25% or more of the funds must be used to help people make 50% or less of the AMI, which is a pretty tough demographic to put into homeownership. The City's intent is to put out a Request For Proposal (RFP), and assist a non-profit entity with creating housing for special needs populations, or the very low-income individuals who need housing.

Mr. Knowles explained that the timeframe for this program is 18 months. From the moment the City gets the authorization to spend the money, they will have 18 months to spend or obligate all of it. The City is currently drafting a plan for this program right now. As part of the plan the City is required to come up with a methodology to determine the areas of greatest need in the City, and then direct the funds to those areas. The City has done an initial analyses of zip codes in Homestead and have found that they are basically dealing with 3 zip codes that have the highest rate of foreclosure, 1) 33030, with 665 foreclosures, 2) 33033, which represents most of the newer development, east of the Turnpike, has over 50% of foreclosures in the last 18 months with 1,100 foreclosures, and 3) 33035, the southern half of the City, with 430 foreclosures. This data was received from HUD. Based on this information, the City is proposing to allocate the funds based on those zip codes and their ratio of foreclosures.

Mr. Knowles gave a quick overview of the budget for this program. The total NSP allocation is \$2,887,010.

- 1) The City is proposing to take 25% off the top for very low income and special needs population, which will be about \$700,000.
- 2) The funds will then be allocated according to zip code by ratio, the greater need in the zip code gets the greater amount of funding. For example, zip code 33033 would receive approximately \$957,000, which represents the area of greatest need in the City.
- 3) The administration fee, which covers the cost of implementing the program, of 10% will be taken out upfront.

At this time the floor was opened up for public comments and questions. Each speaker was asked to limit their comments to 3 minutes.

Roger Trujillo, a resident at 1386 NW 16<sup>th</sup> Street, stated that he would like to know if the City can take the money, instead of the direct goal to buy, rehab and sell to spend all the money. Because we are looking at \$900,000, and the way things are going right now, the City can probably buy 10 houses and not make a dent. But if the City can have down payment assistance with this money, you're looking at 3% with FHA, then we can go a lot further and help a lot more people. Mr. Knowles stated that the City could not just use the funds for down payment assistance, but there is a down payment

assistance option built into the funding. For example, there is a house that is worth \$200,000 and is going to foreclosure and the City can negotiate to get it at \$180,000, the City could deliver a pretty deep subsidy to the homebuyer, if he qualified for the home. Mr. Trujillo further stated if the City were going to buy the house for \$180,000, it would not make a dent. Mr. Knowles responded that Mr. Trujillo was correct. The City is receiving \$2.8 Million. If the City spent all the money on rehabilitation, he predicts that the City would probably be able to do between 10-15 homes. Mr. Trujillo stated that if decide to do rehabilitation, the City could go with FHA with the 2 or 3 program. FHA would build in the money for whatever is missing in the house, the leak, etc., they'll build in that money for the house, all the City would have to do is come up with 3% for a down payment. Mr. Trujillo further stated that the land banking, he does not see how the City can include that here. Where is the immediate assistance for a land banking for 10 years for the City? Thank you.

Steve Losner, Real Estate Attorney and a resident of Homestead, stated that Mr. Knowles talked about the allocation based on proportion per zip code. He asked if the City was comfortable that those numbers are limited to those foreclosures within the City limits. He further stated that every zip code, to his understanding, within the City of Homestead overlaps outside the boundaries, and certainly in the 33033 that can really be skewed on a high end when you got out into Leisure City and some of the other neighborhoods that are in the zip code that haven't been annexed. If the City is going to sit here and layout those parameters, he encourages the City to make sure that is not a blanket zip code finding, but within the City limits of Homestead. Mr. Knowles addressed the point. The City did look at that and Mr. Losner is right, zip codes don't respect municipal boundaries. But, the foreclosure numbers that the City has are specific to the City.

Mr. Losner added, it would be easy and the City has some really good City attorneys at their disposal to do foreclosures such as by folio numbers that are keyed to the City rather than relying on numbers that emanate from HUD. Mr. Losner stated, in response to the last speaker, he talked about that the City can't just use all the money to provide down payment assistance, that some of it has to be used for actual acquiring foreclosure properties. Are there guidelines and parameters? Is there a hard and fast minimums? Mr. Knowles stated that yes, there are. 1) 25% of the funds for people who make 50% or less of AMI, and 2) the rest of the funding cannot be used for people who make greater than 120% of AMI. The majority of the funds are more of a moderate demographic than a lower income demographic.

Mr. Losner further stated that based on his experience, he think the last speaker made a very good point that this relatively poultry sum of money can go a lot further by providing some down payment or forgivable mortgage assistance than just going out and buying up, literally 5 properties on the east side of town. He asked Mr. Knowles to share with the audience the parameters of use for that 25% set-aside. Mr. Knowles responded that the 25% set-aside has to be used to benefit people who make 50% or

less of AMI. It can be used to address people with special needs, such as homeless, people living with HIV/Aids, the elderly, etc. However, one of the issues the City has with this requirement is people at or below 50% AMI, it's very difficult to get that person into a house. So, instead, what the City can do is fund rental activities. The initial thinking is to give the 25% set-aside to create rental opportunities for special needs providers, with an affordability time period. In other words, the City would identify a provider thru an RFP process, and they would come in and say; we are going to develop 25 units for this 25%, then the City would attach an affordability rider to that mortgage for a certain number of years, depending on the direction of the City. Mr. Losner asked, in round numbers, we are talking about \$750,000, Does the City have the ability to develop a plan that targets people who have a prior history of residency within the City limits, or are we constrained to say if anybody shows up and meets those criteria and says, I want to buy a house, or rent a year in Homestead, are we obligated to provide that to the exclusion of someone who already has a history of residency in the City limits? Mr. Knowles responded that the Federal Register doesn't speak to residency requirements. Mr. Losner asked, if the City has the option of developing this plan to create preferences, if you will, for residents? Mr. Knowles stated that it is possible.

At this time Mr. Knowles went of the 5 eligible uses:

- 1) establish financing mechanisms to purchase and redevelop foreclosed houses, including soft seconds, long loss, reserves, and shared equity;
- 2) purchase and rebuild - take homes and residential properties that have been abandoned or foreclosed, to redevelop and/or sell or rent such home and properties;
- 3) establish a land bank for homes that have been foreclosed;
- 4) demolish blighted structures. The City does intend to engage in this activity;
- 5) redevelop, demolish, or vacant property. This is another rare example of a HUD program you could actually use to build new housing without a one for one replacement requirement.

Tom David, Real Estate Broker, Palmetto Bay, asked, is the City planning or are permitted to use this program in conjunction with all the CDBG programs the City may be thinking about this year? It seems to me that this issue of leveraging, the funds, is very important here obviously if the City wants to get any real bang for the buck. Mr. Knowles stated, there is nothing to prohibit the leveraging of any funds with this program. The City does have some emergency funding for Hurricane recovery that is directed toward housing. The City's normal entitlement funds of CDBG are directed toward public facilities improvements, such as public infrastructure park type of improvement.

Kevin Sullivan, resident at 1860 SE 6<sup>th</sup> Ct, asked, for the purpose of this program, what is the City using as the medium income? Mr. Knowles stated, these numbers are established by the Bureau of the Census, and they are calculated by HUD, so HUD uses an extraction from Census stated income with those figures. Ms. Yoder, added, in

Miami-Dade County the AMI is \$49,200.00. Mr. Knowles stated that there is a sliding scale based on the number of individuals in the family. Mr. Sullivan stated, the 33033 zip is the east side; the most newest construction is also the highest priced construction in the City generally across the board. He further stated that he cannot see where this small amount is really going to have much of an effect. Mr. Knowles responded, yes, it is the highest priced area of the City but it's also the area that's been hit hardest by foreclosure.

Arden Shank, Neighborhood Housing Services (NHS), stated that he believed the AMI is \$49,000.00 for a family of 4 and then adjusted up and down based on that. He further had a couple of comments, 1) this money cannot be used for families that are facing foreclosure now. NHS can help if there are families in Homestead that are coming to City Government asking for help who are in foreclosure, send them to NHS, they would be glad to work with them. 2) In terms of the use of the money, Mr. Shank agrees with previous speakers that simply to use the money to buy foreclosed properties means the City probably do 10 properties, so there needs to be some way to leverage: a) the City doesn't have to fund 100% of it, developers can bring some of their own capital so that there's a match; b) if the money is used to say pay 75% of the acquisition and the developer brings the other 25%. When that house closes and it's sold, a portion of that can roll over into a second mortgage as one of the previous speakers mentioned. So, if the City wants a larger impact, he thinks they need to look at those options of leveraging and bringing money back and sending it out again. 3) Mr. Shank stated that he is also the Chair of the Board for the South Florida Community Development Coalition, and that organization has developed a statement on the uses of this money that he left with Ms. Yoder.

Linda Comber, ComBank Mortgage Company, asked who would be going to be doing the rehab on these foreclosed properties? Will that be going out to bid for different companies to do the rehab? And once the property is owned by the City, which they get at a discounted price, once it's rehabbed and it's ready to sell, the profit that the City gets, would it go back to the City or will it be used to perpetuate the ongoing purchasing of foreclosures and keeping this alive? Mr. Knowles responded, that the rehabilitation work that will be bid out, just like with would any other housing program. The City buys a piece of property, and assuming it needs work, the City would evaluate the property thru a work write-up process to determine the deficiencies and then they would be put out on the streets in bid, and the lowest most responsive bidder would get the job, and would be paid from the program. Mr. Knowles further stated that any money that the City gets back goes back into this program within 5 years, or after 5 years it's returned to the Treasury.

Arden Shank, Neighborhood Housing Services, stated that he again urges the City to not buy the properties, the City doesn't need that hassle. Have the developers negotiate with the banks, define the areas and purchase them. That way it's a better deal for the builder and developer that can negotiate within the zip code/city you have indicated, so

that that transaction doesn't need to go thru City Government. The money comes and is dispersed at the right time as the developer acquires the property, and then puts them back out. The other thing is NHS has is a license lender and can help the City structure the second mortgage portion if you need that.

Steve Losner stated, with respect to demolition, having seen that process from the backside of the Council table for a number of years, he would think that would be probably one of the last things the City would want to spend this small amount of money on. It would seem that maybe a better approach is to get more aggressive on properly filing and perfecting code enforcement liens for blighted homes that at some point in the future when they are sold, those liens are going to be collected, and perhaps dedicate some portion of those ongoing liens for un-kept or abandoned properties back into this fund to help perpetuate some buyers or whatever it may be. You are decreasing value when you remove structures, and it's usually a longer period of time and more difficult to recover those costs that are advanced for demolition.

Luis Dilan, Project Director of GALATA, asked, with respect to the 25% Special Needs requirement, has the City thought about what groups they are looking at? There's a large population of the senior citizens that are being affected really bad by what's going on nationally right now. So he wanted to see if the City has given any thoughts about how that RFP process is going to be setup. Mr. Knowles responded that there hasn't been any populations identified as priority needs. One of the criteria will be the ability of the non-profit to get the job done because the City only has 18 months. Mr. Dilan added, the area in Homestead/Florida City has some great non-profits, to make sure we prioritize, we don't want a nonprofit from Ft. Lauderdale who doesn't really know the area coming here and bidding on something, it's unfair to the local nonprofits, so maybe some preference on that.

Mr. Trujillo spoke again and stated that when we are talking about finding foreclosures or building something new, like in 33033, nobody's building there because it costs too much. Buying foreclosures, and again, my experience as a Realtor, it's between \$60-\$75/ sqft. right now, and to build is going to cost \$110-\$120/ sqft. The simple math says this is your best buy right now, so if you're going to help the community, because it is a disaster due to the foreclosures, this is where your money should be geared, buying them at a discounted price already, nothing else. Mr. Knowles asked, is this price based on a current appraisal or is it just what you're able to get? Mr. Trujillo stated, that's what we're getting bids at and what the banks are accepting at this point. Mr. Knowles asked, what are the appraisals coming in at for sqft. usually? Mr. Trujillo responded, your appraisals are coming in 40%-50% above if you're buying distressed. If you're buying something that people just left the refrigerator, stove, etc., you're going to buy that at 65% if it is on the market 2-3 months. Mr. Knowles added, one of the requirements on the statute is that the City has to have an appraisal based on current market conditions, not from 1 or 2 years ago, and then buy it for less than that. Mr. Trujillo added, again, if the City is going to do that, then you're looking at buying

even cheaper than 60% discount on building. Never mind what the builder wanted 3 years ago because people were turning it over, turning it over. But if you're going to look at \$110-\$120/ sqft. to build, that's why nobody's building now, you're buying stuff between \$60-\$75/ sqft., people can afford it. Mr. Knowles stated, that's a good value.

Linda Comber, ComBank Mortgage Company stated, that the City is currently writing the plan, when does the City expect that plan to be out in a rough drafted, and when will we, as a group, be able to get information? Do you have any kind of timeline on that? Ms. Yoder responded that a draft of the plan will be available on the City's website on Friday, 10/31/08 in both English and Spanish under Community Development Department. It would be published for a period of 15 days, allowing more public comments to come in. Once the City has receive those public comments, we will do some final changes to the draft and go before City Council on November 17<sup>th</sup> for their final review. Mr. Knowles added, the deadline to have a plan in to HUD is December 1<sup>st</sup> and that's drop dead

Amalia Smith, resident, stated that she wanted to know if the City has contact with Homeowners Association, because there are a lot of houses in foreclosure so the Homeowners Association doesn't receive the maintenance. The people that live in the house we're still paying, maybe in the future will have to pay more because the other person hasn't paid because nobody lived there. Is there any plan for that? Mr. Knowles responded, what you're talking about is a situation where a house has a lot of leans against it for maintenance fees. It's going to be a lot to ask somebody to buy a house with leans on it, no bank's going to lend anybody money for that, and no bank or person who has a title search done would close on a house that's got leans on it of any kind, those leans would have to be settled at closing. The NSP would pay those leans off to get a clear title. Another issue to think about is, the City does not want to set people up for future failure, in some of these areas, taxes, homeowner's fees and insurance could equal one mortgage payment, so we have to keep that in mind.

Seeing as there were no more public comments, Ms. Yoder thanked everyone for attending. The comments were appreciated and will help the City to formulate its Plan. She adjourned the meeting at 3:30 p.m.

Respectfully Submitted,



Laurin A. Yoder  
Community Development Manager