

City of Miami Gardens
Department of Community Development



Substantial Amendment to
Third Program Year Action Plan
2008-2009

Neighborhood Stabilization Program

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): City of Miami Gardens	NSP Contact Person: Daniel A. Rosemond, Director
Jurisdiction Web Address: <u>www.miamigardens-fl.gov/cd</u> <i>(URL where NSP Substantial Amendment materials are posted)</i>	Address: 1515 NW 167 Street Bldg. 5, Suite 200 Miami Gardens, FL 33169
	Telephone: 305-622-8041
	Fax: 305-622-6046
	Email: drosemond@miamigardens-fl.gov

A. AREAS OF GREATEST NEED

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

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction’s consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State’s own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions’ consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity’s own plan.

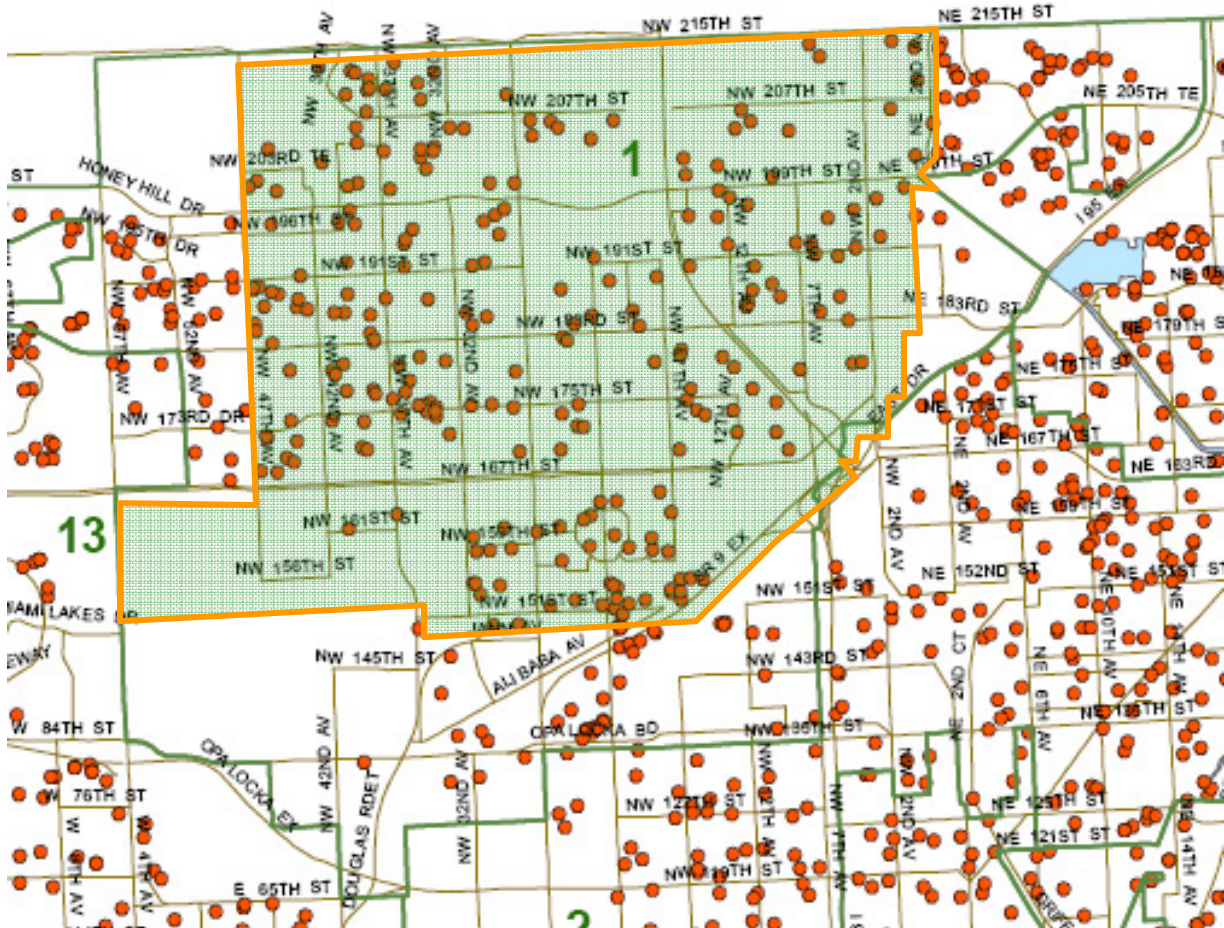
HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data [LINK – to HUD USER data], in developing this section of the Substantial Amendment.

Response:

The Title III of the Housing and Economic Recovery Act of 2008 states NSP funds shall be used with respect to individuals and families whose income does not exceed 120% AMI. The notice also indicates that grantees should give priority emphasis to areas of greatest need,” including those: 1) with the greatest percentage of homes in foreclosures; 2) with the highest percentage of homes financed by subprime mortgage related loans; and 3) identified by the City as likely to face a significant rise in the rate of home foreclosures. The City of Miami Gardens had over 3,654 foreclosures during an 18-month period ending June 2008 according to data provided by HUD (www.huduser.org/publications/commdevl/nsp.html). The foreclosure rate for the City during this period was 12.4%.

The green shaded area on the map¹ below shows the overall effect of foreclosures in the City.

**City of Miami Gardens
Foreclosed Properties Repossessed by Lender
Nov 2007 to July 2008**



In researching and analyzing foreclosures in Miami Gardens, City staff found that areas of greatest need are consistent with low and moderate areas identified in the City's consolidated plan. In the context of this substantial amendment, specific emphasis of highest priority will be directed to areas with the greatest percentage of home foreclosures, areas with the highest percentage of homes financed by a subprime mortgage related loan, and areas that have been identified as likely to face a significant rise in the rate of foreclosures.

¹ Provided by Miami-Dade County Planning and Zoning. Source Realtytrac

Additional data from HUD() on the chart below indicates that census tracts in Miami Gardens that have been identified as areas of greatest need include the following:**

Census Tracts	Estimated Number of Foreclosures	Estimated Number of Mortgages	Estimated. Foreclosure Rate	Estimated Hi Cost (sub-prime) Loan Rates
009902	540	4,333	12.5%	58.6%
009802	429	4,552	9.4%	42.1%
010002	426	3,394	12.6%	59.0%
009502	340	2,803	12.1%	56.9%
000502	299	2,467	12.1%	54.1%
010009	287	2,437	11.8%	54.9%
010006	286	2,401	11.9%	55.5%
009400	263	1,942	13.5%	64.5%
010001	240	1,852	13.0%	61.3%
000401	234	1,983	11.8%	55.1%
010010	228	1,654	13.8%	65.7%
000403	212	1,540	13.8%	65.6%
009901	183	1,583	11.6%	53.8%
000501	181	1,396	13.0%	61.3%
009903	176	1,498	11.7%	54.8%
009501	132	1,042	12.7%	59.9%
000402	121	909	13.3%	63.4%
009600	119	1,080	11.0%	50.9%
009904	105	747	14.1%	67.1%

The HUD data shows that the highest estimated number of foreclosures (540) was found to be in tract 00902, with an estimated foreclosure rate of 12.5%. However, the census tract with the highest foreclosure rate (14.1%) was tract 009904. This census tract was also found to have the highest rate (67.1%) of estimated high cost or subprime loans. The data shows that this census tract is at a higher risk of foreclosures in the future. Currently, the estimated foreclosures for this area are 105, compared to other census tracts, such as indicated above in tract 009902. In analyzing the data, census tract 009802 had an estimated 429 foreclosures, yet the rate of high cost or sub-prime loans in the same tract is 42.1%. This shows that there are extreme variables as it relates to areas in Miami Gardens that are affected by the housing crisis. The NSP grant funds will be distributed to the areas of greatest need shown on the chart above. Given the City's proposed activities (acquisition of properties that are abandoned for purposes of resale), priority will be placed on census tracts in with the highest number of foreclosures.

Another area of focus in the City's plan is the demolition of abandoned properties that are considered blighted. These properties have amassed a large number of code violations and do

not have current homestead exemption status. These residential addresses have been vacant for at least a 90-day period. They also are within the areas of greatest need in the City. The City’s priority for accomplishing this activity will be to target abandoned properties that reside within census tracts that have the highest rate of foreclosure.

B. DISTRIBUTION AND USES OF FUNDS

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:

The City of Miami Gardens proposes to utilize the NSP Funds allocated to it by carrying out the activities represented in the following chart. Activity details are provided below.

Activity	Amount
Purchase and rehab of foreclosed properties for rental to HH earning up to 50% of AMI	\$1,716,529.70
Demolition of abandoned housing units	\$130,000.00
Purchase of foreclosed properties for resale	\$2,000,000.00
Rehab of units for resale	\$957,977.42
Subsidy assistance for buyers of purchased properties	\$1,375,000.00
Program Administration	\$686,611.90
Total NSP Funds Allocated	\$6,866,119.02

- 1. 25% of Funds to be provided to households earning less than 50% of A.M.I. (\$1,716,529.70):** In a January 2008 presentation to Governor Crist, by the Department of Children & Families’ Committee on Health Families, it was reported that as of December 21, 2007 there were 3,941 youth, ages 18 to 23 that would be potentially eligible for the Road to Independence program that provides assistance to youths that are transitioning out of the Foster Care program. The City proposes an activity that will be targeted at providing permanent housing for individuals that are aging out of the state’s Foster Care Program. This target population has been identified as meeting the NSP eligibility criteria of 51% or below AMI. The proposed activity, using NSP funds, will include the purchase of single family homes that have been foreclosed upon and abandoned. The methodology used to identify the areas where this activity is proposed will be within the NSP guidelines as having the greatest percentage of homes foreclosures, the highest percentage of home

financed by a subprime mortgage related loan, and identified as likely to face a significant rise in the rate of home foreclosures. These homes will then be rehabilitated and used as rental units for the target population. The City anticipates utilizing an experienced developer to carry out this activity on the City's behalf. The developer will be selected through a formal solicitation process and will hold title to the properties purchased. The properties will contain a restrictive covenant to ensure that their use is in accordance with the sub-recipient agreement that will be executed with the selected developer.

2. As part of the NSP, the City proposes demolition of abandoned and boarded up housing units (\$130,000). We believe demolition of these units will serve to eliminate eyesores to the neighborhoods and should serve to stimulate new home purchases. Through the City's Code Enforcement Department, approximately 30 single family units have been identified as blighted structures that are in violation of Florida Building Codes. These units (none of which are homesteaded properties) have gone thru the Special Masters process and deemed eligible for demolition. They also have amassed a large number of code enforcement liens that in many instances exceed the property value. The emphasis for the demolition of units will be to target those that exist within the areas of greatest need.
3. Purchase of foreclosed properties (\$2,000,000): The City proposes to purchase a number of single family housing units in the target neighborhoods identified previously. The criteria for purchasing these units will include (but not be limited to) purchase price below appraised value, location of housing unit, condition of the housing unit, size/amenity desirable to interested buyers. The City anticipates carrying out this activity in one of two ways. 1) City will utilize the services of licensed realtors to negotiate with lenders holding mortgages on these properties and will execute the purchase transaction directly. 2) City will execute a sub-recipient agreement with a developer (for profit or not for profit) to act on the City's behalf to purchase properties that meet the above established criteria.
4. Rehabilitation of purchased properties (\$975,977.42): It is the objective of the NSP that these funds be utilized with the primary intent to bring stabilization to the distressed housing market. To that end, the City anticipates purchasing several housing units that will be ultimately sold to eligible buyers. However, based on market data, it is an expected condition that properties that have been foreclosed and abandoned are in need of rehabilitation to either meet minimum building code (or housing quality standards- HQS), or to make them aesthetically desirable to the potential buyers. Therefore, this activity proposes utilizing the allocated funds to carry out the rehab activities. Depending on the most expedient manner, the City may choose to administer the individual rehabilitation projects directly or utilize a developer to perform the rehabilitation work on properties that have been purchased. Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

5. **Subsidy assistance for buyers (\$1,375,000):** An essential component of homebuyer programs is subsidy. This is especially critical when targeting household incomes that cannot exceed 120% of A.M.I. The City anticipates making the allocated amount available to eligible buyers that need the subsidy in order to make the purchase transaction feasible. The amount of per unit subsidy will not exceed \$55,000, which is well below the levels allowed under HOME regulations, as per Section 206A. The City proposes that its subsidy assistance be in the form of a 15 year forgivable mortgage loan with a recapture provision. Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.
6. **Program administration (\$686,611.90):** In accordance with HUD’s notice governing the use of NSP Funds, grantees may use up to 10% of its allocation for general program administration costs. This activity will include things like advertising, homebuyer counseling, and program staffing.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure” in context of state or local law.

Response:

Blighted structure: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

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.

Abandoned: A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

(2) Definition of “affordable rents.” *Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

The City will apply the maximum rent levels as published by the HUD annually and will ensure that any housing provided through this initiative is affordable.

Affordable in this category is defined as monthly rents or mortgage payments including taxes and insurance that do not exceed 30 percent (30%) of the maximum monthly income allowed for the applicant’s income category as indicated in Sections 420.9071 (19), (20) and (28), F.S. However, the City will not limit an individual household’s ability to devote more than 30% of its income for housing, if the first mortgage lender is satisfied that the household can afford mortgage payments in excess of the 30% benchmark.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

As it relates to homeownership, a subsidy program will be developed to provide up to \$55,000 in subsidy, depending on the affordability needs of the buyers. Terms of this subsidy program will include, but are not limited to a 15-year secured mortgage. These mortgages will carry zero (0) interest, no repayment would be required unless the property is sold, rented or transferred prior to the completion of the affordability period. To ensure affordability, the buyer will be required to execute a Promissory Note, which will be secured by a recorded Mortgage and Security Agreement, for the amount of assistance being provided. The terms stipulated on the documents require that the buyer continue to own and occupy the property throughout the affordability period of 15 years. Throughout the affordability period, staff will conduct periodic monitorings to ensure owner occupancy. If the buyer ceases to own and occupy the property, the full outstanding amount of assistance provided will be immediately due and payable. An exception will be made in the case of death, whereby the heirs can assume the debt provided that they are certified as income eligible and the property becomes their primary residence.

In relation to rental housing, the City will ensure that rents do not exceed the rental limits adjusted for bedroom size as defined by the Florida Housing Finance Corporation. This will be done thru the required sub-recipient agreements with the entity (ies) that will carry out the proposed housing units that will be rented to individuals earning less than 50% of A.M.I.

Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

Housing rehabilitation standards for NSP activities will be consistent with the City's existing Housing Policy which includes an inspection of the property by a licensed inspector for Housing Quality Standards (HQS) and compliance with current building codes. Rehabilitation will be performed by licensed contractors that have been certified and approved by the City to work on HUD funded projects.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: **\$1,716,529.70.**

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The City of Miami Gardens will allocate \$1,716,529.70 (25% of the total funds) for the purchase and rehabilitation of ten (10) to fifteen (15) foreclosed upon properties for the purpose of providing rental homes for households and individuals earning less than 50% of area median income. The City intends to convey the properties to an eligible developer with a restrictive covenant placed on the land to ensure the desired use. The City proposes an activity that will be targeted at providing permanent housing for individuals that are aging out of the state's Foster Care Program.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ 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 has identified approximately (30) properties that are currently abandoned and/or boarded-up with extensive code liens that will be included in the NSP program. \$130,000 will be allocated for the demolition of these properties. Other considerations for demolition activities include structures that are deemed blighted as well as non-Homestead properties.

The City intends to purchase and rehabilitate twenty (20) to twenty-five (25) single-family units for resale to eligible buyer with income of no more than 120% of area median income. The resale of these will be sold to owner/occupants only. The City also proposes to provide a subsidy program that would provide a maximum of \$55,000, depending on the affordability needs of the buyer. Other terms of the subsidy program include, but are not limited to a 15-year secured mortgage. No repayment would be required unless property is sold, rented or transferred prior to completion of affordability period, zero (0) interest, no monthly repayment. Eligible buyers would also be required to attend an 8-hour Homebuyer Course.

Ten (10) to fifteen (15) foreclosed upon properties will be converted for the purpose of providing rental homes for households and individuals earning less than 50% of area median income. The target population for this activity will be individuals that are aging out of the state's Foster Care Program with the purpose of providing permanent housing. The City intends to convey the properties to an eligible developer with a restrictive covenant placed on the land to ensure the desired use.

Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Response:

No written comments were received during the 15-day comment period. The proposed uses of funds were advertised on the City's website as well as in the newspaper of population circulation. Additionally, the Department of Community Development hosted a City Council workshop/public hearing on October 30, 2008, at which time public comments were received. Below is a summary of comments and questions during this meeting.

Public Comment:

One of the comments that came up is that the purchase price has to be less than the market value. Don't you think that this will have a contradiction with the supply and demand rule of our system?

Community Development response:

The NSP requirements state that the homes have to be purchased at less than the appraised value. And there's a big difference between the appraised value and the market value. The HUD notice requires grantees to do is to purchase the properties below the appraised value, and the appraisal has to be conducted within 60 days of the purchased transaction.

NSP is specifically targeted for abandoned and foreclosed properties. HUD is very restrictive in terms of what the monies can be used for. The City does have CDBG funds that are being used to address infrastructure improvements throughout the City in three distinct neighborhoods. Those are things that we are already addressing, but it is separate and apart from this particular program, because these funds are specifically targeted to addressing the foreclosure and abandoned properties.

Public Comment:

Who's going to manage these properties?

Community Development Response:

Once the City purchases the properties, we will obviously have to manage the properties during the time that they're being rehabilitated and prepared for resell. That is included as part of the administration amount. The rehabilitation will encompass the factors that will require the property to bring it up obviously to make sure that it meets Florida Building Code, but it also addresses needs to make the property attractive to the end user. So we have to balance exactly what those items are. So one of the considerations for us in terms of looking at the properties that we purchase is, the amount of money that we may need to invest in that particular property.

Public Comment:

Have you all selected a group that will negotiate to buy, the lenders of these foreclosed properties? We've been talking to a number of lenders about the different programs in different cities. Quite a few of them are willing to negotiate significantly on the prices for purchase of the property.

Community Development Response:

We have not made a decision in terms of how or who the group is that will help us in terms of the negotiation. That is part of the administrative process. We certainly are going to engage professionals in the real estate industry to help us with that, because we do need to take into account if we buy a property at 100,000, when everything else on that block is at 200,000, then it's going to devalue the rest of the neighborhood, and we certainly don't want to do that. At the same time, we don't want to pay 200,000, because if we're trying to sell the property for people that are at 120% or below, we're going to have to invest more than the \$55,000 in subsidy in order to be able to get people qualified. The information here is intended to just give the audience something simple enough to be able to get kind of their heads around it, but it doesn't go into all the nuances involved in terms of the decisions that need to be made, because they're

very, very complicated, and we understand that. We don't have the flexibility beyond what HUD has given us the parameters to operate under.

Now part of our consideration has to be, are there other properties on that block, in that neighborhood, that are around that same price point so that it does not devalue the other properties. And so those are the considerations, in addition to whether or not the person that will buy it, whether they can actually qualify for a mortgage of 130,000 if they're at that 120% of AMI, correct. There's a lot of moving parts to this, and a lot of things depend on something else. One of the things that is of serious consideration is that right now several banks have properties in the City. They're asking for amounts that seem to be out of whack with what the market conditions seem to indicate. And when we begin those negotiations, we don't know whether the banks are going to bend or move from that. That is going to be a real challenge for us. And we're going to have to look at that, and make those decisions very, very quickly, because if we are not able to make progress with that, we quickly have to let HUD know that activity of purchasing properties may not be something that we choose to carry out because the banks are unwilling to negotiate based upon the terms that HUD has given us.

That's where the subsidy comes in, because what we're attempting to do is to make sure the purchase price does not devalue the rest of that neighborhood. So if in fact the total investment on the part of the City happens to be 150,000, but that individual that needs to buy it can only qualify for 100,000, the City would provide a second mortgage subsidy to be able to keep the purchase price at 150, but they only have to qualify for \$100,000 mortgage. And so it helps the individual buyer, but it doesn't hurt the other folks in that neighborhood in terms of the value of their property.

Public Comment:

How will the City identify potential buyers for this program? What will be the qualification requirements?

Community Development Response:

The NSP requires that the individual's income, the household income cannot exceed 120% of AMI. That is standard now. In terms of who buys or who utilizes, that really is an open process. What our office has done, is that we have begun to build what we call a home buyers pool. We sent out a flyer letting people know that we are looking for home buyers, and we've done it by sending that out to the two universities that are in the City, to several of the public schools, which I know that there are several teachers that are still renting and are looking to buy. So we tried to cover all of the bases in terms of the individuals that are looking to buy, really from the standpoint of trying to identify the interested buyers. We think that it is a great opportunity for, as you mentioned, younger couples, the younger professionals that are at a point where their income is not great, and this is a great opportunity. We've also done that with City employees. We instituted some activities to help them get engaged in being able to see if they can actually follow through on the process of being ready to be home buyers.

Public Comment:

Is there any provision for disabled or say some of the Section 8 folks who are moving into homeownership program?

Community Development Response

There isn't a specific provision in the NSP program for that particular population. HUD is very, very particular about. When we talk about targeting, a particular demographic or a particular condition, whether it's younger or older or whatever, it's very dangerous, because there are some residents who may say, well, I don't want a lot of young people living in my neighborhood, and others folks may say I don't want a lot of older folks living in my neighborhood. What HUD is addressing is the issue of income. That is what the provision is in this program, its income driven. What we have done as a local grantee is to reach out. Our home buyer pool is not exclusive or not targeted. So we've pretty much blasted that information so that anyone who is interested in becoming a home buyer is able to apply as long as they meet the income eligibility. That is the only requirement in the program, that you be income eligible in order to participate as a person who will be a recipient of the properties that the City would purchase and/or the subsidies needed to make that purchase transaction.

Public Comment:

I heard a comment about the concern that by purchasing these homes below fair market value, it could reduce the property values. The alternative is to do nothing would basically have a home sitting there empty, grass getting overgrown. So you have to think about the alternative. It's something that's going to have to be addressed. Consider the alternative, which is, an empty home that sits there for a year. We all know what starts to happen. It's not very attractive.

Public Comment:

About the Homebuyer Pool survey, is this open to other people in the neighborhood? Do you have to be at 120% of AMI to qualify for one of the homes? Will the participants in the homebuyer pool have any type of credit repair?

Community Development response:

It's open to anyone that wants to buy. If you want to utilize the NSP program funds you cannot exceed that. So you had six people in the home, the maximum income for that household cannot exceed 83,880. The preparation of the home buyer, for example home buyer counseling, is built into everything that we'll do. Whether we utilize a non-profit, or whether we utilize different mechanisms, it's still something that we have to determine. That is part of our administrative process. But obviously we want to make sure that the individuals that come in and become home owners through this program, stay in their home. We want to make sure that individuals go through home buyer counseling and the adequate credit repair and preparing them for that decision.

The purpose of the survey is to know how many interested buyers we have. We're projecting to buy anywhere from 20 to 25 properties. Based upon our experience, in order to get someone to

buy, we need to have four or five individuals for every one house, because things will typically happen, the person will qualify, they'll change their mind, their job will change, any number of things. So in order for us to be able to sell 20 to 25 units, we have to have about a 100 people essentially that are ready to purchase based upon the numbers that I just shared with you.

Public Comment:

How many people are going to be assisted with the six million dollars? How many homes are going to be purchased? Are you able to take a portion of that 6 million dollars and establish an ongoing homeownership, financial literacy component?

Community Development response:

Approximately 45 to 50 houses will be rehabbed with the NSP funding, depending on what amount the homes are purchased for. Financial Literacy is done through our regular CDBG. The City is an entitlement city, and we have programs for that purpose. The issue of financial literacy has been in discussions in my office for several months. The Mayor and I have talked about that for the last two years. That is an issue that we have certainly felt important, and we want to structure the program correctly. It has to be curriculum based, not an eight-hour course that you can just come in and learn to make good financial decisions. We've tried to identify the right partner. We're not there yet. To answer your question, we cannot use these program funds for that purpose. But that is something that we can and are committed to doing through our regular CDBG allocation.

Comment (Council Member):

If we have a family that's in foreclosure and they meet the income requirements, can we allow that house to be foreclosed, buy the house from the bank? Could we buy the house from the bank and sell it back to the family with an instrument that they could actually use?

Community Development Response:

I don't believe it allows for that purpose. However, there is another program which has not been that publicized, it's a Hope IV Homeowner Program, which is essentially to restructure an existing loan. It's an HFA product and the lender has to be willing to allow that restructure. They do have to take a loss on that particular mortgage, but they can restructure that existing loan. But I don't believe that in the NSP, that there's a provision to allow that to deliberately happen to then make that person go back. And there's a commonsensical reason why it won't happen, because if you have allowed that to go into foreclosure, you're not able to get a loan, because now you have blemished credit in terms of that, so it will preclude you just by the very nature of the process from getting a new loan, even with significant subsidies.

Comment: (Council Member)

Do we know what percentage of homes in Miami Gardens has been foreclosed on? And of the homes that were foreclosed on, do we know what percentage of them were family based and what percentage are actual investors?

Community Development Response:

I do not have that number. That is one of the research functions that we'll do through our realtors, and we'll have that distinction made from owner occupied and investment homes. Those are all things that we will try to ensure, that we don't have the money go toward people that are doing it for investment purposes.

Comment: (Mayor)

How did we arrive at that \$55,000 amount? Is there an advantage or some means if it was higher? What would be the advantage if the subsidy went up to 75,000?

Community Development Response:

It's a projection based upon the total numbers. We looked at a calculation of about \$80,000 to \$90,000 for property purchases. We looked at our average amount of rehabilitation that we currently spend, which is about \$35,000 to \$40,000 and how much money we wanted to set-aside for subsidy. Then you look at the amount of mortgage that people can qualify for. We don't have a good database for that. When we talked to some of the organization like Housing Finance Authority and some of the other folks, they agree that individuals that are ready to buy, may qualify for a mortgage that's about \$80,000 to \$90,000. So our goal is to look at a particular price point of about \$130,000 to \$140,000 and then back into what the individual can qualify for and it amounts to about \$50,000 to \$55,000 that they would need in subsidy in order to be able to meet that sales price of about 150,000.

And that is obviously something that this Council would have to consider, staff will have some recommendations. Cities across the country deal with that. I think that some of the County programs have some very, very significant subsidies. I'm personally not of the belief philosophically that you should have such deep subsidies, because now you have the individual buyer with less of a vested interest in terms of that purchase than the government assistance. I think the government should be able to provide some assistance, but it should not take the brunt of the responsibility for that purchase, but that's just kind of a personal philosophy.

Comment: (Mayor)

If there's a higher subsidy, and the property is purchased at a higher price. I understand that this program says that you cannot purchase the property at the appraised value. You have to purchase it lower. So if there's a house that has a higher appraised value that someone may be interested in, and it is two doors down from Mr. Woods, and it brings a more comparative to his property if it's sold, and then there's an additional \$75,000 of the subsidy, would that kind of balance out this thing of lowering the price of properties already in the neighborhood versus the new property on this maybe coming in?

Community Development Response:

It may. But, again, it's based upon how much the individual buyer qualifies for. There is nothing precluding us from doing that, Mayor. We certainly can do that. One of the other components to that is that in that purchase price of \$200,000, we'd have to determine that we would not need

any rehabilitation work in that particular house. Remember, we would have to recoup everything that we invested, not only the purchase price, but any rehabilitation. But nothing keeps us from being able to change that activity to say our subsidy amount can go up to \$75,000. The requirement is that we look at those target or priority areas that have already been identified in the documents of the City.

Comment: (Mayor)

How do we make a real partnership with some other non-profit that will complete the rehabbing of these properties?

Community Development Response:

This is a very important point for the Mayor and everyone to understand. HUD does not make a distinction in terms of the mechanism that any grantee utilizes to carry out its activities. When HUD looks at the Miami Gardens, they're saying, the City got 6.8 million dollars, and it's your responsibility to be able to carry out the approved eligible activities. Now, whether we choose to do it ourselves or through for-profit, non-profit, a combination of thereof, at the end of the day, it is the City's responsibility, and we have to give an account how that happened. It is staff's responsibility to come back to Council in the form of this plan and say this is what we believed to be the most prudent mechanism to be able to carry out that plan.

Comment: (Vice Mayor)

There seemed to be some people looking for an investment, and I also seem to have heard some other utilization of homes perhaps rehab. What exactly is this supposed to be a program for? Is it a homeownership program? And it's for occupancy under what guidelines for how many years for the owner that is applying for these monies?

Community Development Response:

Yes it is a homeownership program that is intended to stabilize existing neighborhoods from further decline caused by the massive number of foreclosures. The funds are going to be governed by HOME guidelines, which are the housing equivalent to CDBG funds, and it has an affordability period of a minimum of 15 years. Under the eligibility, the home must be owner-occupied, must not be rented or leased. So that is built into the provision if in fact an individual receives a subsidy, whatever the amount is, that is required. And if in fact they decide to sell it within a period of five years, the entire amount has to be repaid. If it exceeds the five years, then there's a sliding scale. 10% is forgiven each year. So we ensure that the intent of the program is maintained through this particular recapture provision.

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

ACTIVITY #1

- (1) Activity Name: **Acquisition and rehab of foreclosed properties for rental to households earning up to 50% of AMI.**
- (2) Activity Type: **24 CFR 570.201 (a) & 24 CFR 570.202**
- (3) National Objective: **LMC**
- (4) Projected Start Date: **January 2009**
- (5) Projected End Date: **December 2012**
- (6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200,
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**
- (7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**

(8) Activity Description:

The City proposes an activity that will be targeted at providing permanent housing for individuals that are aging out of the state's Foster Care Program. This target population has been identified as meeting the NSP eligibility criteria of 50% or below AMI. The proposed activity, using NSP funds, will include the purchase of single family homes that have been foreclosed upon and abandoned. These homes will then be rehabilitated and used as rental units for the target population. The methodology used to acquire these properties will be to negotiate a 10%-15% discount of the appraised value from the holders of title. The methodology to account for the lenders carrying costs for properties not acquired through NSP funds has not been determined. Therefore the discount amount for properties acquired in aggregate shall be at least the reasonable amount of 15%.

The City will require a 20-year affordability period on the properties acquired as part of this activity. The City anticipates utilizing an experienced developer to carry out this activity on the City's behalf. The developer will be selected through a formal solicitation process and will hold title to the properties purchased. The properties will contain a restrictive covenant to ensure that their use is in accordance with the sub-recipient agreement that will be executed with the selected developer.

Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

I. Total Budget: (Include public and private components) **\$1,716,529.70**

J. Performance Measures

10-15 housing units purchased for rehab and subsequent rental to households and individuals at less than 50% of area median income.

ACTIVITY # 2

(1) Activity Name: **Demolition of abandoned housing units.**

(2) Activity Type: **24 CFR 570.201 (d)**

(3) National Objective: **LMC**

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

(5) Projected End Date: **December 2012**

(6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**

(7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**

(8) Activity Description:

Through the City's Code Enforcement Department, approximately 30 single family units have been identified as blighted structures (see pages 6-7 for definition of blighted structure) that are in violation of Florida Building Codes. These units (none of which are homestead properties) have gone thru the Special Masters process and deemed eligible for demolition. They have amassed a large number of code enforcement liens that in many instances exceed the property value. As part of the NSP, we believe demolition of these properties will serve to eliminate eyesores to the neighborhoods and should serve to stimulate new home purchases if demolished.

Once the units are demolished, the City will place a lien on the properties which will ensure that new affordable housing units will be built on these sites in the future. The affordability period on the parcels demolished as part of this activity will be fifteen (15) years. Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

I. Total Budget: (Include public and private components) **\$130,000**

J. Performance Measures

Demolition of 30 housing units

ACTIVITY #3

- (1) Activity Name: **Purchase of foreclosed properties for resale**
- (2) Activity Type: **24 CFR 570.201 (a)**
- (3) National Objective: **LMH**
- (4) Projected Start Date: **January 2009**
- (5) Projected End Date: **December 2012**
- (6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**
- (7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**
- (8) Activity Description:
The City proposes to purchase 25 single family housing units in the target neighborhoods identified previously. The criteria for purchasing these units will include (but not be limited to) purchase price below appraised value, location of housing unit, condition of the housing unit, size/amenity desirable to interested buyers. The City anticipates carrying out this activity in one of two ways. 1) City will utilize the services of licensed realtors to negotiate with lenders holding mortgages on these properties and will execute the purchase transaction directly. City will negotiate a discounted purchase price of 10%-15% of the appraised value of each housing unit. 2) City will execute a sub-recipient agreement with a developer (for profit or not for profit) to act on the City's behalf to purchase properties that meet the above established criteria. The methodology to account for the lenders carrying costs for properties not acquired through NSP funds has not been determined. Therefore the discount amount for properties acquired in aggregate shall be at least the reasonable amount of 15%.

Once purchased, the City will determine how much (if any) rehabilitation work will be required on each housing unit. The objective of the purchase of these units will be to resell these units to income eligible homebuyers. The affordability period for these purchased and resold units will be fifteen (15) years. Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees)

shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

I. Total Budget: (Include public and private components) **\$2,000,000**

J. Performance Measures

Acquisition of 25 housing units

ACTIVITY # 4

(1) Activity Name: **Rehab of units for resale**

(2) Activity Type: **24 CFR 570.202**

(3) National Objective: **LMH**

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

(5) Projected End Date: **December 2012**

(6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**

(7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**

(8) Activity Description:

It is the objective of the NSP that these funds be utilized with the primary intent to bring stabilization to the distressed housing market. To that end, the City anticipates purchasing 25 housing units that will be ultimately sold to eligible buyers. However, based on market data, it is an expected condition that properties that have been foreclosed and abandoned are in need of rehabilitation to either meet minimum building code (or housing quality standards- HQS), or to make them aesthetically desirable to the potential buyers. Therefore, this activity proposes utilizing the allocated funds to carry out the rehab activities. Depending on the most expedient manner, the City may choose to administer the individual rehabilitation projects directly or utilize a developer to perform the rehabilitation work on properties that have been purchased.

Once rehabbed, these housing units are expected to be resold to eligible homebuyers. The affordability period for these rehabbed units will be fifteen (15) years. Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including

reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

I. Total Budget: (Include public and private components) **\$957,977.42**

J. Performance Measures

Rehabilitation of 25 housing units

ACTIVITY # 5

(1) Activity Name: **Subsidy assistance for buyers of purchased properties**

(2) Activity Type: **24 CFR 570.201 (n)**

(3) National Objective: **LMH**

(4) Projected Start Date: **December 2008**

(5) Projected End Date: **December 2012**

(6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200,
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**

(7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**

(8) Activity Description:

An essential component of homeownership (specifically for low-to-moderate income households) is subsidy. The City anticipates making the allocated amount available to eligible buyers that need the subsidy in order to make the purchase transaction feasible. The amount of per unit subsidy will not exceed \$55,000, which is well below the levels allowed under HOME regulations, as per Section 206A. The homeownership assistance will only be available to eligible households that fall below 120% of A.M.I. The City proposes that its subsidy assistance be in the form of a 15-year forgivable mortgage (affordability period) loan, with a zero (0) percent interest rate, with a recapture provision.

Eligibility criteria established for the program includes:

- **Income must be at or below 120% of Area Median Income adjusted per household size**
- **Home must be owner occupied, and may not be rented or leased**
- **Buyer must attend an 8-Hour Homebuyer Course**

Recapture terms include:

- **If the owner ceases to own or occupy the property during the first five (5) years, repayment to the City will be required for the full amount of the loan**
- **For the remaining ten (10) years, the repayment amount will be determined by reducing the loan amount by 10% for each year that the homeowner has owned and occupied the property beyond year five (5)**

Any program income generated by the sale, rental, redevelopment, rehabilitation, or any other eligible use that is in excess of the cost to acquire and redevelop (including reasonable development fees) shall be used in accordance with the provisions of Section 2301 of the Housing and Economic Recovery Act of 2008.

I. Total Budget: (Include public and private components) \$1,375,000

J. Performance Measures

Subsidy assistance for 25 households to complete the purchase transaction.

ACTIVITY # 6

- (1) Activity Name: **Program Administration**
- (2) Activity Type: **24 CFR 570.206**
- (3) National Objective: **N/A**
- (4) Projected Start Date: **December 2008**
- (5) Projected End Date: **December 2012**
- (6) Responsible Organization: **Department of Community Development
1515 NW 167 Street, Bldg. 5, Suite 200
Miami Gardens, FL. 33169
Daniel A. Rosemond, Director**
- (7) Location Description: **Areas of greatest need as specified in section A (page 2) of this document.**
- (8) Activity Description:

In accordance with HUD's notice governing the use of NSP Funds, grantees may use up to 10% of its allocation for general program administration costs. This activity will include things like advertising, homebuyer counseling, and program staffing.

I. Total Budget: (Include public and private components) **\$686,611.90**

**J. Performance Measures
Successful administration of the NSP program**