

# **NSP GRANT SUBMISSION TEMPLATE** **& CHECKLIST**

NSP grant allocations can be requested by submitting a paper NSP Substantial Amendment or a form under the Disaster Recovery Grant Reporting (DRGR) system. This template sets forth the suggested format for grantees under the NSP Program. A complete submission contains the information requested below, including:

- (1) The NSP Substantial Amendment (attached below)
- (2) Signed and Dated Certifications (attached below)
- (3) Signed and Dated [SF-424](#).

Grantees should also attach a completed NSP Substantial Amendment Checklist to ensure completeness and efficiency of review (attached below).

# THE NSP SUBSTANTIAL AMENDMENT

## AMENDED JUNE 2010

<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> Evelin Simpson, Accounting Manager</p> <p><b>Address:</b> 790 N. Homestead Boulevard, Homestead, Florida 33030</p> <p><b>Telephone:</b> 305-224-4547</p> <p><b>Fax:</b> 305-224-4569</p> <p><b>Email:</b> <a href="mailto:esimpson@cityofhomestead.com">esimpson@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.

In addition, HUD data suggests a similar correlation to the number of high-cost loans in these ZIP codes. In order to compare data, the City correlated census tracts with ZIP codes and found the following high cost loans reported between 2004 and 2006:

- \* **ZIP Code 33030: 2,099 High Cost Loans**
- \* **ZIP Code 33033: 4,684 High Cost Loans**
- \* **ZIP Code 33035: 2,023 High Cost Loans**

While the census tracts do not correspond exactly with ZIP codes within the City limits of Homestead, and the data are two years old, the ratios are very similar to recently-reported foreclosure rates. Notably, ZIP code 33033 reports 51 percent of foreclosure and 53 percent of high cost loans.

In addition to reviewing data based on the number of foreclosures and high risk loans, the City reviewed HUD's metric, the Foreclosure Abandonment Risk Score (FARS). FARS is based on a scale of 0 to 10, with 0 indicating a very low risk of foreclosure and 10 indicating a very high risk. The data are organized by census tracts and block groups. There are a total of 24 block groups included in the target area, and of those twelve have a FARS of 9 and the other twelve have a FARS of 10. Using these data and correlating them with City ZIP codes, it is evident that these areas score very high—never less than 9. The average FARS are indicated below:

- \* **ZIP Code 33030: FARS Average of 9.6**
- \* **ZIP Code 33033: FARS Average of 9.6**
- \* **ZIP Code 33035: FARS Average of 9**

Based on ZIP Code information and staff field experience with the availability of properties, funding has been allocated among the City's three primary ZIP Codes. The City's method of distribution will be outlined in **Section B, Distribution and Uses of Funds**.

## **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:**

#### **Allocation of Funding**

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

ZIP Code 33030	\$ 872,685
ZIP Code 33033	\$ 501,151
ZIP Code 33035	\$1,224,473
Administration	\$ 288,701
<b>TOTAL</b>	<b>\$2,887,010</b>

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

Activity	Amount
LMI Rental Rehabilitation	\$ 872,685
Downpayment Assistance	\$ 50,000
Purchase Rehabilitation	\$1,675,624
Administration	\$ 288,701
<b>TOTAL</b>	<b>\$2,887,010</b>

Summarized by ZIP code and activity:

ZIP Code	Activity	Percentage by ZIP	Amount
33030	LMI Rental Rehab	30%	\$ 872,685
33033	Downpayment Asst	2%	\$ 50,000
33033	Purchase Rehab	42%	\$ 451,151
33035	Purchase Rehab	16%	\$1,224,473
Administration	Administration	10%	\$ 288,701
<b>TOTAL</b>		<b>100%</b>	<b>\$2,887,010</b>

### Methodology

HUD has indicated that 47 percent 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 percent, 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 percent 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 reviewed the high cost loan data assembled by HUD. This data is organized by census tract, and the City correlated the census tract data with City ZIP codes. While the match between census tracts, ZIP codes and City limits is not exact, it does reveal a similar ratio to foreclosure data assembled by ZIP code only. As stated previously, ZIP code 33033, which is the north east quadrant of the City, comprises a high cost loan rate

of 53 percent (4,684 loans) out of the three ZIP codes (33030, 33033, 33035) with the highest levels of foreclosures in the City. Similarly, ZIP code 33033 represents 51 percent of foreclosures out of the three ZIP codes according to the most recent foreclosure data.

In addition to using available data from HUD and other sources, the City made the following assumptions:

- 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 and field conditions, the City of Homestead has prescribed the following formula by which to allocate funding. After allowing for 10 percent administration, allocation of the remaining NSP funding will be done by ZIP code, including 30 percent for the LMI Rental Rehabilitation component. This is 5 percent higher than required by HUD. The percent breakdown of funding is as follows:

- 10% for Administration
- 30% for Low Income Targeting (ZIP Code 33030 will be the primary recipient)
- 60% for ZIP code allocation for the remainder of activities and ZIP Codes

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

**Low Income Targeting (30%) set aside within ZIP Code 33030:** The City of Homestead has elected to allocate 30 percent of NSP funds to this activity, which is 5 percent higher than required by HUD. The City of Homestead will issue a Request for Proposals (RFP) to solicit projects that 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, including a mortgage, note, land use restriction agreement, and an affordability period of 25 years.

It should be noted that ZIP Code 33030 has been targeted for LMI rental Rehabilitation, although the City reserves the right to extend beyond that ZIP Code is necessary. This ZIP Code has been targeted because houses are generally more affordable. Non-profit agencies have expressed to the City that they prefer

this ZIP Code for their activities because of the areas proximity to services (public transportation, grocery stores, social services, etc.). No other activities are planned for this ZIP Code. A discussion of this activity is also found in the next section.

The City reserves the right to extend this activity to other ZIP Codes within the City limits if needed.

**ZIP code Allocation of Remaining Funds:** The areas within the City of Homestead that demonstrate the greatest needs are located in ZIP codes 33030, 33033 and 33035. ZIP Code 33030 will receive 30 percent of funds for the LMI Rental Rehabilitation Activity. 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. Sixty percent (60%) of the total funding is allocated by ZIP code after the 30 percent set aside for LMI Rental Rehabilitation. Of that 60%, which equates to \$1,732,206, ZIP Code 33033 will receive \$1,224,473, and ZIP Code 33035 will receive \$288,701.

Clearly the proposed allocations by ZIP Code are not exactly proportionate to the percentage of foreclosures. The primary reason is price. Homes in ZIP Code 33033 **that are available for City purchase** tend to be more expensive than homes in other parts of the City. Therefore, the ratio of proposed funding is higher in that ZIP Code.

In addition to the foreclosure data by ZIP code, the City also examined high cost loan data provided by HUD from 2004 through 2006. The ratio among the three ZIP codes is similar to the current ratio of foreclosures by ZIP code. Specifically, the high cost loan ratios found that ZIP code 33033 represents 53 percent of the three ZIP codes, 33030 represents 24 percent, and 33035 represents 23 percent. While these are not exact correlations to the ZIP code foreclosure data, the numbers are very similar, especially given the difficulties of correlating City boundaries with ZIP code and census tract data.

Finally, the City reviewed FARS data for ZIP Codes 33030, 33033, and 33035. As indicated in A. Areas of Greatest Need, each block group within these ZIP Codes scored a 9 or 10, with an average FARS of 9.5. The FARS data suggest, therefore, that allocating NSP within these three ZIP Codes is warranted and appropriate.

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, the number of high risk loans, and extremely high FARS data. Certainly there is a positive correlation between the number of foreclosures and the origination of high cost loans and FARS. Therefore, the City has concluded 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,*” and HUD’s data supports this conclusion. 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. The ZIP Code 33035 will receive the largest allocation, followed by 33030, and then 33033. 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.

**Following is a series of issues and explanations generated as a result of HUD’s review of the NSP Amendment:**

**Issue:** Substantial funding is being transferred between line items, but there is not a corresponding increase in numeric results.

**Explanation:** The cost of purchasing and rehabilitating houses is higher than what was anticipated in 2008 when NSP was first designed in Homestead. Staff believed there would be ample opportunities to purchase homes at considerable discounts based on the high foreclosure rate. There were many homes available for under \$100,000. In practice, however, lower-priced foreclosed houses were being aggressively purchased by investors, and NSP could not compete with the private market. In response, staff began to look at more expensive houses—those in the range of \$125,000 to \$200,000. This was the segment where NSP was most needed and worked the best. There were fewer qualified buyers and hardly any with “cash deals,” and purchasing these homes proved successful using NSP.

Originally, the average price of an NSP house for **Purchase/Rehabilitation** was estimated at about \$98,698, including the cost of rehabilitation. The new, amended average is about \$186,180. So while the budget has doubled from \$888,278.50 to \$1,675,624, the actual number of units purchase and rehabilitated has only increased from 8 to 9. Staff believes this number may increase based on recent low bids that may allow 2 to 3 additional purchases. However, regardless, the average cost will remain above the original proposed amount.

There is a similar dynamic involved with the **LMI Rental Rehabilitation** component of NSP (25 percent set aside). Although overall funding has increased only slightly, from \$721,752 to \$872,685, the proposed number of units has fallen in half from 10 to 5. Originally, staff envisioned less expensive single family homes or even a multi-family building for this purpose. But as the program progressed, it became clear there were no

multi-family buildings available that met NSP guidelines. The single-family homes the City intended for this purpose also required substantial rehabilitation and were about as expensive as the Purchase/Rehabilitation homes. The original average cost of purchase/rehabilitation for this activity was \$72,175, and the new estimate is \$174,537.

**Issue:** Please explain the “delayed timing” of the amendment.

**Explanation:** There were a number of events ongoing at once in this program. Staff was working hard to acquire property, place it under contract, and evaluate and bid the property. Until we were fairly advanced in the work write-up and bidding stage, it was difficult to determine how much of which line item to transfer. In addition, staff was advised by HUD’s TA partners that a substantial amendment would be required, not a non-substantial amendment as previously believed. Staff felt this was the most conservative approach and pursued this option, which is much more time consuming. The amendment was prepared and submitted well within contractual timeframes.

**Issue:** When will bids be awarded and contracts signed?

**Explanation:** City Council will award bids for rehabilitation work on August 10, 2010. Staff intends to have the contracts signed the following day, allowing for scheduling with the contractors. The total bid award will be \$501,257. The bids are lower than anticipated but are responsive.

Based on the favorable bids the City anticipates it will be able to purchase 2 to 3 additional homes with remaining NSP funds. As these purchases are made The City will advise HUD of our progress and will amend NSP to reflect the total number of final units. Regardless the accomplishments will not decrease.

## 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 adjusted gross income. In the context of the NSP program, affordable rent is no more than 30 percent of the adjusted 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 adjusted 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, note, and 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 will use a standard of 25 years for the affordability period. 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 standards are incorporated into this plan). 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 30% of the NSP budget and will be allocated to ZIP code 33030. The funds dedicated to this activity will purchase foreclosed houses, rehabilitate them, and transfer ownership to a non-profit entity for rental to low income residents. The City will hold a first-position lien on the property to

ensure that NSP guidelines are met for a period of 25 years, after which they property will be owned “free and clear” by the non-profit organization. The city does not anticipate receiving any program income from the transfer of title to the non-profit organization. Rents will be calculated based on a pro forma spreadsheet to fund the costs of overhead and maintenance. No profit will be generated from the rents.

Although the City intends that the focus of this activity will be within the 33030 ZIP Code, the city reserves the right to extend the activity to other ZIP Codes as may be required.

## 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., ≤ 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., ≤ 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., ≤ 80% of area median income).

## F. PUBLIC COMMENT

**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), and 24 CFR 570.202 (a).

**(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)**

Evelin Simpson, Accounting Manager, 305-224-4547  
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 within the City limits of incorporated Homestead. If needed the activity will extend to other ZIP Codes as deemed appropriate by the City.

**(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. The city intends to use 30 percent of the funding for this activity. 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 discount rate will require that individual dwellings be purchased at a minimum of 1 percent below the appraised-market value.

The terms of assistance will require an affordability period of 25 years. During the 5 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 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' adjusted gross income. Maximum rents will be based on HUD-approved rent limits for tax credit projects. Continued affordability will be ensured through a subrecipient agreement that addresses eligible beneficiaries, application process, rental rates, and subrecipient monitoring to ensure programmatic compliance.

Rents will be reviewed to ensure that no profits are generated from the activities and will only cover operating and other eligible costs.

**(9) Total Budget: (Include public and private components)      \$872,685      (30% 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 5 rental units for low-income families and special needs residents of Homestead at or below 50 percent of AMI.

(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)

Evelin Simpson, Accounting Manager, (305) 224-4547  
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 33033 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.
- Downpayment assistance will not exceed 50 percent of the sales price.
- 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 of 25 years. During the final 5 years, 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, note, and Land Use Restriction Agreement will be executed by the property owner to ensure the terms of NSP assistance.

The discount rate for homes subject to DPA will require that individual dwellings be purchased at a minimum of 5 percent below the appraised-market value. However, the average minimum discount for all structures purchased must be at least 15 percent. Therefore, some home or multifamily purchase can be at 5 percent but to offset that, some must be purchased around 20 – 25 percent to average 15 percent.

**(9) Total Budget: (Include public and private components)      \$50,000**

**(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):**

Provide down payment assistance to 2 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)**

Evelin Simpson, Accounting Manager, (305) 224-4547  
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 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:**

The discount rate for properties will require that individual dwellings be purchased at a minimum of 1 percent below the appraised-market value.

In addition, the program will:

- 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 (which are incorporated into this plan) 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;
- Downpayment assistance will not exceed 50 percent of the sales price and no profit will be made.

- 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;
- The amount of City subsidy will be the amount between the purchase price and the appraised price and be for a 25-year term. During the final 5-year period, 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)      \$1,675,624**

**(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 9 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

CDBG Eligible Activity: 24 CFR 570.201, 205, and 206

(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)

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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.