

**NEIGHBORHOOD STABILIZATION PROGRAM  
COMMENTS FROM OCTOBER 23, 2008 INPUT SESSION**

**GOALS OF NSP**

**1. Homeownership or Rental?**

- Program should have a mix of target audiences, both homeowner and rental, and add a lease purchase option (lease with option to buy).
- Should not be restricted to either homeowner or rental as not everyone should be homeowners (at current situation) and a noted spike in the number of applicants not qualifying for homeownership. There needs to be flexibility, such as:
  - Rent to own
  - Service for special needs populations
  - Work with Habitat to reach 50% AMI requirements
  - Housing counseling, downpayment assistance, financial literacy
  - Transitional housing
- Individual markets may dictate whether there is potential for homeownership
- Bigger focus on rental, as rental needs to be included to meet 50% AMI requirement and problems finding buyers for assisted units will add to carrying costs

**2. Options to Facilitate Homeownership?**

- Lease /purchase option, down payment assistance, non-profit operated homebuyer clubs
- Maybe it should not target “first time” homeownership.
- Education of buyers is vital, as is post purchase counseling
- Assist those at 120%AMI for homeownership and partner with others for 50%AMI.
- Program has a bias towards homeownership.
- Need to protect the investment to protect against scams –shared equity , deed of trusts, no cash out.

**3. Options to Identify Applicants?**

- Existing homebuyer clubs or many localities have existing assistance programs in place
- Leverage programs like SPARC may have buyers identified
- Habitat for Humanity, Housing Authority, and housing counselors are able to identify candidates.
- Education, outreach, advertising on our programs is important.
- Timing issue of matching buyers with available properties will be the challenge.
- Poor credit of applicants and poor spending /debt behaviors make qualifying a challenge

**4. Stabilization Options?**

- Availability of resources - Acquisition is time consuming and larger organization have a greater ability to acquire property from banks from economy of scale
- Property acquisition of bank owned property
- Escheat sales, tax liens by locality, eminent domain, abandoned property is selectively purchased /demolished /taken
- Rehab program should include energy efficiency improvements

- Maintenance escrow
  - Rehab versus demolitions must be determined based on condition of property and cost or feasibility of rehab work
  - Land banking - good for long term plans or addressing a failed subdivision, some localities are hesitant to land bank or enter chain of title. Land banking and CLT's are a great opportunities but more information and TA is needed. CLT's build inventory and wealth for low-income individuals – only one CLT currently in Virginia
  - Issues /concerns about property acquisition:
    - Increased property value
    - Liens often exceed value of properties (could make program difficult)
    - Title problems
  - In high growth /high foreclosure rural regions it is important to have the opportunity to design local solutions and build the local housing resource infrastructure
  - Using existing programs from non-profits, look for partners to bring leverage money.
  - Down payment assistance – education very important
  - Holding costs for bad property maintenance from bank owners
  - Concern about timing of NSP grant announcements and coordination of local budget, local CDBG /HOME
  - Identifying foreclosures – Realty track, assessor's office, courts, economist real estate trends, foreclosure.com
  - GIS mapping – foreclosures and at risk
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### **MEASURING NEIGHBORHOOD IMPACT**

- Key is to have good data – choose an area ser outcomes and concentrate on meeting goals in order to make an impact and move to another area
- Concentrations in new developments or combination of old and new developments depending on the market
- Buyers ready to participate.
- Programs to address abandoned properties
- Long term affordability – covenants on property
- Long standing positive relationship with bank
- Limit/localities should be determined by localities - concentrate on specific areas
- Should not limit the number of neighborhoods
- Limit to number of neighborhoods per locality based on need
- There are concentrations in some communities, and some scattered properties
- Both old and new homes impacted, there is also an increase in tax delinquencies - problems also seen with refinanced properties
- Foreclosure rates are higher in more affluent areas
- Existing programs are limited mostly due to funding
- Should invest into established neighborhood investment areas, Neighborhoods in Bloom, etc.

- Success depends on condition of properties (rehab or demolish), historic value, blight abatement
- Condition of housing stock
  - Entry level homes, older homes
  - Combination of older and newer (90's) homes
  - Need for rehabilitation versus demo
- Existing programs
  - Abandoned property registry
  - Down payment assistance program funded through CDBG, HOME, general funds
  - City employee housing assistance program

## ISSUES

- Not all localities have defined neighborhoods
- Not all foreclosures are clustered, some are scattered across localities
- If localities only get enough funding for a few units, the scale is not large to have a real impact
- Everyone's numbers /data are inconsistent
- How do we identify stakeholders needed to have an impact
- Every regions inventory and condition varies
- If all the funds are spread out across the state and then spread out across the locality, no real impact will be made.
- Concern if will be able to buy these properties below market rate. Have not experienced dramatic price fall, rapid sales increase.
- Banks don't feel need to discount in some regions

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## ALLOCATION OF FUNDS

- Special needs housing should be considered for 50%AMI
- Special needs requirement is restrictive. Could cost additional time and expenses
- Potential partners to leverage resources
  - Habitat, Housing Authorities, CSB to target disabled
  - If you already have partners, additional points should be awarded: non-profits and banks
  - Private industry partners (banks) VHDA, FHA, Rural Development
  - Establishing a developer's fee would help to engage the non-profit community
- Grant amounts should be based on the identification of needs with guidelines developed at the local level
- No fixed grant amount. Grant amount based on local needs determined by a combination of factors.
- Housing Authority should be able to receive funds directly from DHCD and PDC's should be eligible applicants
- How large of a program/project can be created? Major redevelopment project?
- What is meant by abandoned? Can program be used for commercial property? What are eligible projects?

- How much will be available per house?
  - If non-profits etc. are to be applicants they should have support / coordination with locality. This will be an issue if the local government does not want to move forward and will veto the project
  - Have one applicant as an umbrella to serve multiple localities
  - In terms of applicants, need to look at accountability and capacity,
  - Virginia Mortgage Bankers Association to help work through the discount negotiations
  - NSP might limit mortgage holders willingness to discount - might have been willing to go lower before NSP
  - Do local media release, give participating mortgages good PR.
  - How program income is treated – which will impact the program design – will affect the impact of these funds.
  - Work with HUD office on assessing capacity of locality in CDBG administration.
  - 2 rounds preferred
  - Is LMI area benefit allowed for 50% AMI? Would demo in a 50% AMI area count as a benefit?
  - AMI's vary across the region – it is easier to meet the 25% requirements in an area where 50% AMI is \$60,000 versus \$15,000. Is it fair to punish a locality with fewer funds because residents make less?
  - If a disabled /elderly person makes more than 50% AMI, do they count (as 50% AMI) because they are special needs?
  - Financing mechanisms for interest rate buy downs
  - Work with banks who own these properties, which can be labor intensive.
  - Do we want to work with banks that made “bad” loan in the first place?
  - Allocation should be on a rolling basis as project ideas are formed and become ready.
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### **PROGRAM COMPONENTS**

- The percentage of need met is not measureable.
- Yes, planning grants should be offered. But are planning grants feasible for an 18 month period? Planning grants may save money in long run. Planning grants should only be offered for small localities.
- Planning Grants are not needed as expertise should already be in place. Where do planning grants come from? Overall state admin or the localities admin based on what they receive? We would rather have admin.
- Administrative and Soft costs:
  - Admin, legal, appraise, survey, title, etc.
  - Should be 20% administrative. 10% is a challenge.
  - Staff (possibly new, short term employment); Complex new program to administer (time consuming)
  - Assessment / appraisal costs, evaluate which property to purchase, building condition evaluations
  - Literature
  - Post purchase counseling

- Reporting costs
- Front end fees/ soft costs
- Pass through money to partners for property acquisition and holding
- Carrying costs, utility, stabilization , taxes
- Reasonable developer fee – 5%, 10%; 10% on rehab, 17% on rehab and new construction
- Census tracts for neighborhood for tracking and data collection purposes.
- Who determines neighborhood boundary? Defining neighborhood should be done by the locality. Neighborhoods don't match up with census tracts. Density, age of housing stock, demographics should be considered. Appropriate measures may be different in a rural area.
- Collaboration with non-profits, realtors, VHDA, other localities with successful programs
- Would be helpful to see model
  - programs
  - templates
  - web links
- Performance based is preferred. Performance based – needs to be sensitive to need for some upfront money. What is the difference between performance based and outcome based measures?
- Performance based is not good for contractors. May be only do performance based in 2<sup>nd</sup> round. Rather than “performance based” the program follow SPARC type model.
- Compliance/monitoring requirements for tracking outcomes should be based on % of need. How to meet need as it continually changes (addition foreclosures occurring)? Data and needs are changing daily.
- Joint applications between locality and housing authority.
- Difficulty promoting VHDA financing locally
- Need to utilize existing programs
- Need to address entire localities – problems rather than small area
- Separate applications for each neighborhood taxing on localities – don't want it
- Set-up different programs for specific activities.
- Want partners that already have capacity
- Options for use of program income will impact program designs. How are program income and profit defined? Is rent?
- Money should be set aside for the state to be accurately tracking the program and to function as a clearing house of data.
- Ideally, give everyone subscriptions to the same clearing house so applicants are using data from the same source.
- Many of the programs may be new /innovative.
- Only if gross negligence occurs should funds be taken back / withheld.
- This entire program was thrown together too fast. Time is needed to plan through things.
- Need to hear other areas ideas because there are no best practices or ideas for us to pull from. Would be nice to know what each locality is thinking of doing if funded.
- Indicator of successful project is collaboration with banks, non-profits, other localities. Success might allow movement to other areas.
- Should structure silent seconds that are forgiven.

- Instead of limiting from the outset, look at applications more thoroughly to mechanical issues or compliance issues.
  - Give localities a chance to talk to banks as a large group to discover what is feasible.
  - There should be a session at the Governor's Housing Conference where ideas can be shared.
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#### **OTHER ISSUES**

- Is there a difference between vacant and abandoned? Definition of each is needed.
- Will regional plans (from PDC's) be considered as applicants?
- DHCD and VHDA should convene a meeting with large banks and REO executives.
- Is senior housing eligible?
- What are leverage factors that can be applied to funds received?
- Will localities have an opportunity for input on funding formulas before they are published?
- Allow locality to make applications as open as possible.
- Flexibility is most important.
- How does government get foreclosure data?
- Utilization of funds for current programs
- DRGR is a challenge, who will do this?
- Great that this program goes to 120%AMI
- Concerns about tracking and reporting.