



Acquire, Renovate, Sell (ARS)

PROGRAM DESIGN

Objective

The goal of this program is to create affordable homeownership opportunities for low- to moderate-income (LMI), *first-time homebuyers* by renovating previously *undervalued* homes thus transforming a street, a neighborhood, a community, and a family.

Program Description

The Virginia Department of Housing and Community Development (DHCD) funded the renovation of foreclosures in Virginia for the past ten years through the Neighborhood Stabilization Program (NSP) and the Virginia Trust Stabilization Program (TSP), but the changing real estate market calls for a more adaptable program. DHCD and the Virginia Housing Development Authority (VHDA) have now partnered to create a program that allows providers increased discretion over acquisition type, service region, and resale: Acquire, Renovate, Sell (ARS).

As partners, DHCD will expand the provider network while conducting grant/project monitoring and financial management, and VHDA has already set aside a minimum of \$5 million in financial backing. Under this program, providers will acquire *undervalued* homes using their own lines of credit, renovate using ARS funding and other leveraged sources if necessary, and resell the property at fair market value to a *first-time homebuyer*.

Undervalued home: A home that is assessed below market value. This may include but is not limited to homes that are foreclosed, abandoned, vacant, distressed, investor-owned and economically-challenged, estate/divorce/tax sales, or have suffered years of deferred maintenance.

First-time homebuyer: An individual or family with who has not owned AND occupied a primary residence within the last three years. Homebuyers must also meet VHDA income limits. Exceptions to the first-time homebuyer definition as well as higher income limits are available for properties located in Areas of Economic Opportunity (Federal Targeted Areas) in accordance with VHDA income and location guidelines.

Eligible Providers

- Localities (including entitlement areas)
- Local government housing authorities
- Planning district commissions (PDCs)
- Regional/statewide housing assistance organizations or nonprofits serving LMI Virginians

Program Design

ARS providers, through their own capacity or through that of their partners, will develop a means to acquire, renovate, and resell undervalued homes to LMI, first-time homebuyers. During all three stages of the project, the ARS provider network is encouraged to leverage local, state, federal, and private resources to increase the program's overall effectiveness. VHDA foreclosures will be eligible for acquisition in this program, and there are no census tract or neighborhood requirements. Additionally, a bi-monthly list of available properties will be emailed to providers.

The provider will acquire properties using their own lines of credit (at least \$200,000 or ability to acquire two houses at once – whichever is greater), and must have a property identified with the intent to bid before submitting a request to earmark funds. Applicants are not required to have a property secured when submitting their application, however, strong applications will have multiple properties identified for potential acquisition. A maximum of \$45,000 in ARS funds will be awarded per project to restore the home to a comparable market state. Substantial reconstruction projects will be considered on a case-by-case basis under this program. The \$45,000 will include \$2,000 for performance deliverables (acquisition: \$500, renovation: \$1,000, resale: \$500) incurred by the provider and \$2,500 for the rehab specialist. The remaining \$40,500 will be available for renovation draws and contingencies. Funding is available through a performance pool on a first-come basis. ARS will not provide administrative/developer fees to the providers, however, ten percent of the net proceeds of the sale can be used towards administrative costs.

The property must be listed at fair market value, and initially marketed to LMI, first-time homebuyers. After 60 days on the market, the property can be sold to any LMI applicant who will occupy the home as their primary residence. The program is designed for the resale of homes and will not contain a rental component. All activities funded through ARS will benefit individuals and families, classified as first-time homebuyers, at or below 80 percent of area median income (AMI) in accordance with VHDA income limits. Exceptions to the first-time homebuyer requirement as well as higher income limits can be made for properties located in Areas of Economic Opportunity (Federal Targeted Areas). Additionally, the provider is required to have access to a HUD-approved housing counselor who will coach the homebuyer before the purchase, and continue to monitor them for one year post-purchase to provide support when needed.

VHDA will provide a down payment assistance (DPA) grant should the homebuyer obtain their first mortgage through VHDA (FHA, FNMA, USDA, VA). The DPA grant does not trigger an affordability period or required payments. ARS will not provide closing cost assistance for the provider or homebuyer; leveraged sources must be utilized for these costs (e.g. VHDA Closing Cost Assistance grants).

Lender	First Mortgage Loan Type	Percent DPA
VHDA	Federal Housing Administration (FHA)	2.50%
VHDA	Fannie Mae (FNMA)	2.00%
VHDA	USDA Rural Housing Service	2.00%
VHDA	Veteran's Affairs (VA)	2.00%

Once the sale is complete, the rehabilitation funds (\$40,500) are returned to VHDA, and the provider retains the net proceeds. ARS program income may be used to fund subsequent rounds of this program or similar activities in the future.

Oversight and Staffing

The implementation of ARS will require synchronized efforts between DHCD and VHDA. The two organizations have signed an MOU in recognition of each party's responsibilities. DHCD will administer the ARS program to include duties such as oversight, training, technical assistance, fiscal management, and reporting. VHDA will support the program financially. Through regular compliance monitoring, the ARS program manager (DHCD) will ensure that activities are executed within program guidelines. The table below identifies key roles in implementation.

Agency	Title	Name
DHCD	Director	Jay Grant
DHCD	Director	Amanda Healy
DHCD	Program Manager	Cheri Miles
DHCD	Community Service Representative	TBD
VHDA	Director	Janice Burgess
VHDA	Director	Toni Ostrowski
VHDA	Program Manager	Mike Urban

Project Area Boundaries

The ARS program is eligible for use on any undervalued home in the Commonwealth of Virginia. Each approved provider will submit a map of their service area to DHCD with their application. The goal of ARS is to reach all regions of Virginia by fostering a multi-faceted network of providers.