

# **NEIGHBORHOOD STABILIZATION PROGRAM**

## **MANAGEMENT PLAN**

### **Program Policies and Procedures**

Revised  
4/20/11  
7/8/11

**City of Port St. Lucie, Florida**

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## I. Program Description

### A. Purpose

The Housing and Economic Recovery Act signed into law on July 30, 2008 provided Neighborhood Stabilization funds to assist local governments to acquire land and property for demolition, rehabilitation, and sale of foreclosed and abandoned properties or land bank in areas of greatest need to address neighborhood decline. An additional allocation of funds was provided under the Wall Street reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The policies and procedures outlined in this document will be carried out in compliance with the federal register volume 73, notice 194 dated October 6, 2008 and volume 75, notice 201, October 19, 2010 by

- Addressing neighborhoods with the greatest need based on HUD data
- Purchasing and rehabilitating of foreclosed or abandoned properties for resale to income eligible households; or
- Demolishing homes that are considered blighted structures and providing the vacant land to a non-profit for redevelopment as affordable housing.

The City plans to undertake the following activities:

- 24 CFR 570.201(a) Acquisition
- 24 CFR 570.201(b) Disposition
- 24 CFR 570.201(d) Clearance and demolition
- 24 CFR 570.201(n) Homeownership Assistance
- 24 CFR 570.202(a) Rehabilitation
- 24 CFR 570.205 Planning Activities
- 24 CFR 570.206 General Administration

### B. Eligible properties

Properties to be acquired under this program include properties that are:

1. Abandoned. As of 4/9/10, the definition of Abandoned was changed as follows:

A home or residential property is abandoned if either (a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or (b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or (c) the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property.

2. Foreclosed. As of 4/9/10, the definition of Foreclosed was changed as follows:

A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property’s current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.

**C. Property Selection**

For NSP-1, properties must be located in areas of greatest need in the following census tracts and block groups:

Targeted Census Tracts	
15.03	20.01
16.03	20.02
18.01	20.05
18.02	21.04
20.03	21.05

*For NSP-3, properties must be located in Census Tract 2005, Block Group 2 only.*

**D. Other Federal Requirements:**

1. Affirmatively furthering fair housing

The City will follow its affirmative fair housing marketing plan in implementing all activities under this program.

2. Acquisition and relocation

All properties acquired with NSP funds will comply with the Uniform Acquisition and Real property acquisition policies Act of 1970 under 49 CFR part 24, and the Protecting Tenants at Foreclosure Act of 2009, and/or any modifications for the NSP program published by HUD. All transactions under the NSP program will be voluntary transactions. The seller will receive written notice that it is a voluntary transaction and the City will not exercise its power of eminent domain if negotiations between the seller and buyer fail. The seller will be advised of the fair market value of the property in writing. Any non profit or for profit contracted to carry out acquisition of property under this program will also provide proper written notices to the seller that it is a voluntary transaction and of the fair market value of the property.

3. Section 3

The City will comply with section 3 of the Housing and Urban Development Act of 1968. If a contract or subcontract exceeds \$100,000 for the total project, the contractor will be required to comply with section 3 in relation to new hires. Under NSP-3, the City will, to the maximum extent feasible, promote vicinity hiring of employees who reside in the vicinity of the projects or contract with small businesses that are owned and operated by persons residing in the vicinity of such

project. Contractors will be required to post lists of job availability at the site and advertise with door hangers in the vicinity.

#### 4. Conflict of Interest

All contractors, board members, City staff, sub recipients, and program beneficiaries must disclose all potential conflicts of interest in writing to the City staff. All conflicts of interest notices received by staff will be presented to City Council and will be acknowledged in the meeting minutes. Any request for an exception must be made in writing to the Department of Housing and Urban Development (HUD). The City shall defer to all exception determinations made by HUD and administer the assisted program in compliance therewith.

### **E. Contract for Services**

#### 1. Sub-Recipients/Developers

Under the NSP Program, the City may enter into a formal agreement for services with non-profit sub-recipients/developers. A written agreement including all HUD requirements, scope of services, payment information, and reporting mechanisms will be executed prior to the disbursement of funds. The City shall monitor any sub-recipients periodically throughout the duration and upon closeout of the NSP Program, as needed and in accordance with HUD guidelines.

#### 2. Contract for Services

Under the NSP Program, the City may contract with non-profit or for-profit businesses or consultants for required professional services. A formal agreement including all requirements, scope of services, payment information, and reporting mechanisms will be executed prior to the disbursement of funds. The City will follow its Office of Management and Budget (Procurement) Department's policies in conformity with 24 CFR 85.36.

## **II. NSP Activities**

### **A. Purchase and Rehabilitation of Foreclosed and Abandoned Properties**

#### 1. Acquisition 24CFR 570.201(a)

##### a. Summary of Activity

This activity will provide funds to acquire foreclosed and abandoned homes for the purpose of rehabilitation and resale to LMMI households. Properties will be acquired through privately negotiated purchases between a City representative, realtors, sellers (banks holding title to foreclosed properties), the National Community Stabilization Trust (NCST) or any other such entities as allowed by NSP regulations. All properties acquired will be utilized for the development of affordable housing to benefit LMMI households.

##### b. Property Type

Acquisition funding will be available for purchase of single family residential units; town homes and condominiums may be purchased on a case-by-case basis, considering issues such as

planned disposition of property and homeowner's association dues. Generally we will not purchase homes with homeowner's association dues that exceed \$250.00 per year.

c. Purchase Price Limit

Properties will be acquired for a purchase price not to exceed 99% of the appraised value. Price for acquisition will be negotiated by the City legal department and will take into consideration the carrying cost of the property and cost of repairs to ensure the maximum reasonable discount.

d. Method for Obtaining listing of Foreclosed, abandoned or blighted structures

The City will send information to local Realtors providing them the opportunity to submit properties that comply with the program requirements. This information will also be posted on the City's website. City staff will also identify potential properties for acquisition in the target area, especially along the same streets where other properties have been purchased. The City will also work with National Community Stabilization Trust to secure "first look" and "bulk" properties not previously referred by realtors. The Trust may be used exclusively when the number of properties that can be purchased is limited. The home purchase process will comply with new rules and regulations as they are transmitted from HUD.

e. Identification of Units

In addition to identification of properties by city staff, realtors and NCST will be requested to provide a list of properties that meet the requirements of the program for acquisition by the City. The Community Services Department, in coordination with the Legal and Building Departments will identify potential properties for acquisition. The City Council must approve all units that will be acquired under this program.

f. Criteria for selecting units to be acquired

Properties must be through the foreclosure process, unoccupied, listed for sale at \$105,000 or less, and located within the areas of greatest need (targeted area). (The City will not pay more than \$100,000 for each property.) The City may purchase properties that meet the new definition of foreclosed in B(2) above if we are not able to purchase a sufficient amount of properties that have completed the foreclosure process. Properties on the same street as previously purchased properties will be given priority. In general, the City will not purchase properties that fall into the following categories\*:

Property located in a flood zone

Properties that are in a homeowners association with dues in excess of \$250 annually

Properties with in-ground pools

Newly built but unfinished properties

\*exceptions may be made with sufficient documented reasoning

g. Real Estate Professional

The City may contract with a real estate professional to assist in identifying potential units for acquisition if the above procedures do not produce a sufficient supply of properties. The City has contracted with a realtor (after an RFP) and assigns marketing duties to that realtor when houses are ready to be sold to the eligible applicants. The Realtor utilizes the MLS to market

the properties and the City offers referral fees to realtors who send qualified applicants to the program.

h. Housing Inspections

The Building Department inspector will provide an initial inspection of all properties proposed for acquisition under this program. Initial inspection will include a preliminary work write up to estimate rehabilitation costs in accordance with the City's Housing Quality Standards and local codes. The Department Director or his designee will review the work write up to ensure that all standards and program requirements have been followed.

i. Code Violations and Liens

City staff will review the public records of all properties to be acquired under this program to determine if property meets local codes. If there are City violations or liens on the property, the City will request that the seller pay those fees. All violations will be corrected to ensure that all properties comply with local codes. If violations or liens are filed by organizations other than the City, including but not limited to County government or utility companies, those liens or violation fees must be paid by seller when the property is acquired.

Before any work is initiated on property purchased with NSP, the building department inspector will review all building records to check for open permits and any additions or improvements performed illegally on the property. If the City chooses to proceed with the acquisition for the property, all open permits must be satisfied. All violations will be addressed as part of the rehabilitation process. If records reveal that there are liens filed by the City on the property that have not been or cannot be paid by seller, the City staff will request that liens be waived by the appropriate department.

j. Timeframe

Properties purchased under this activity will be made available for resale to eligible applicants upon completion of rehabilitation (date of Certificate of Occupancy or Certificate of Completion) when the City has a sufficient number of homes ready for purchase.

k. Property Appraisals

Appraisals will be conducted individually and are to be ordered during initial purchase analysis and completed within 60 days of final offer. Appraisals can be paid by the City, sub recipient, developer or homebuyer. The Appraiser must be Florida State Certified and licensed in good standing with the State of Florida. Appraisals must be performed in conformity with the appraisal requirements of URA at 49 CFR 24.103. An additional appraisal may be ordered after rehabilitation is complete by the first mortgage lender in accordance with standard underwriting guidelines.

l. Environmental Assessments

All properties to be purchased, rehabilitated and sold will be subject to an environmental review in accordance with 24 CFR part 58. Activities that are categorically excluded and convert to exempt, per Section 58.34 (a)(12), because they do not require any mitigation will contain the HUD approved checklist in each file. No funds will be expended until all environmental activities have been concluded and cleared.

m. Historical Significance

Port St. Lucie received clearance from the State Bureau of Historic Preservation on March 6, 2009 for any property that is less than 50 years old. Prior to making an offer on the property the City staff will review the public records from the Property Appraiser or Tax Assessor to document the age of the property. If the age of the property is greater than 50 years old and staff still chooses to purchase the property, information on the property will be submitted to the State Bureau of Historic Preservation to determine if the property is historically significant. All requirements of the State Historic Board will be followed for properties that are deemed historically significant. If the property is over 50 years old, the local historic preservation program will also be checked to determine if the property is on a local register of historic places.

n. Lead Based Paint

Units assisted with NSP funds are subject to the Lead Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title.

Lead based paint will be addressed for all units constructed prior to 1978 and receiving repairs that exceed \$5,000 as follows:

- All damaged paint surfaces will be repaired.
- The entire property will be evaluated by a risk assessment.
- Units assisted between \$5,000 and \$25,000 will have all lead hazards addressed by interim controls using lead safe work practices.
- Assistance above \$25,000 will have all lead hazards, as identified by the risk assessment, abated. Lead hazard reduction will be performed in a manner consistent with the findings in the risk assessment report (§35.1320).

o. Asbestos Testing – no longer required for properties in the process of rehabilitation after 4/22/10 per information from DCA.

p. Flood Plain

Homebuyers who purchase improved properties within the 100- year flood plain will be required to purchase and maintain flood insurance for the term of the affordability period. In general, the city will seek to purchase properties outside of the 100-year flood plain.

q. Title Search

The City staff and/or City attorney will review title of properties to be acquired. The City will allow the lender/seller to select the title company for closing.

r. Closing

The City will utilize the lender's closing agent unless there is sufficient reason to do otherwise (i.e. excess costs to the City, incompetence, etc.) A title search and a title insurance policy shall be issued at closing to ensure a clear title will be transferred to the City and to the ultimate buyer. The title agent will notify all parties of date and time of closing and provide a HUD 1 to all parties at least 24 hours prior to closing.

s. Insurance

Properties will be added to the City's insurance coverage as they are purchased and until they are sold to the eligible homebuyers. Insurance coverage will not be provided if the property is to be demolished. If the City is providing home purchase assistance, the homebuyers will be required to purchase and maintain, for the affordability period, property insurance including fire, and casualty. Since property will not be located in a flood zone, flood insurance will be optional.

t. Acquisition Costs

Eligible costs under this activity include, but are not limited to, purchase of real property, professional services, closing costs, appraisals, title searches and insurance, and site surveys if required.

u. Uniform Relocation and Tenant Protection Acts

All property acquisition shall be undertaken in compliance with the "Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970," the "Protecting Tenants at Foreclosure Act of 2009," and applicable Florida Statutes as discussed in item I,D2 above. Since the City checks the public records and utility usage on each property, and all properties to be acquired must be vacant, it is not expected that funding of any relocation activities will be undertaken.

2. Housing Rehabilitation 24 CFR 570.202 (a)

a. Summary of Activity

This activity will provide funds to finance the rehabilitation of foreclosed and abandoned homes. All properties that are rehabilitated under this activity will be for the purpose of supplying affordable housing to benefit eligible households for homeownership.

b. Rehabilitation Standards

The City will ensure that all properties acquired under this program for resale comply with the locally adopted rehabilitation standards.

Each housing structure acquired and rehabilitated with NSP funds will be inspected by the City Building Department to ensure that upon completion, the housing unit will meet all of the following standards:

- (1.) Local Rehabilitation Standards
- (2.) HUD Section 8 Housing Quality Standards (24CFR982.401)
- (3.) Local zoning ordinances
- (4.) State of Florida Building Code
- (5.) Local building code
- (6.) Environmental requirements

c. Work Write Up

City Building Department will prepare a detailed work write-up specifying the improvements needed to bring the unit up to NSP Rehabilitation Standards and local code requirements. The

work write-up will consist of a detailed description of all repairs needed for the unit and a confidential estimate of the associated costs. Specifications will include energy conservation or energy efficiency measures proposed for the structure, lead based paint inspection and any necessary abatement. Additionally, the inspector will review the property to ensure that it meets all appropriate local codes such as nuisance, trash and other environmental or health codes.

d. Soliciting Qualified Contractors for Contractor Master List

A contractor expo was held to provide information to interested contractors regarding the NSP Program. Contractors were also solicited to submit their qualifications to be added to a master list based on their classification type. A newspaper advertisement was published to recruit interested area contractors. Additionally, a public notice was posted by the OMB Department. The City also used its main website to post notices for all services to be procured. The process was open to any interested Contractor in accordance with 24 CFR 85.36.

Participant selection included and was not limited to the following factors

- Past experience
- Readiness to proceed
- Ability to complete the work within the required timeline
- Capacity to carry out the task requested

e. Contractor Screening

Contractors were required to submit an application and all supporting documentation on the application checklist. Contractors participating in the rehabilitation / construction of homes must be licensed, may not be debarred by HUD and must have at least three references.

The City may disqualify any Contractor with a known record of discriminatory employment practices or complaints filed with DBPR. Contractors will be expected to comply with applicable equal opportunity and civil rights laws and regulations. The City encourages participation by minority contractors and women owned businesses. The City will comply with all applicable federal requirements.

Contractors who are found eligible to participate are placed on a Master Contract list which is effective for a two-year period.

f. Bid Process

(1.) Invitation to Bid

An Invitation to Bid on each home to be rehabilitated will be made available on Demand Star, the City's internet approach to publishing bid opportunities to Contractors who have previously qualified for inclusion on master contract list.

(2.) Contractor Walk-Through

A pre-bid meeting will be held at the unit prior to bid submittal. All contractors must arrive on schedule and sign in prior to the unit walk-through and discussion of specific work items. Any changes to the work write up or specifications will be made available to each participating contractor.

(3.) Bid Awards

Proposals will be accepted from previously qualified contractors. Bids are to be submitted to the City prior to the published deadline (date and time). Bids received will be tabulated and reviewed by the City staff, which shall make recommendations for award. Bids will be awarded under purchasing and bidding policies established by City administrative policy. Consideration may be given to such factors as past contract performance, time of performance, and capacity to carry out the work. Awards will be made to responsible contractors possessing the ability to perform the work successfully under the terms and conditions of the contract and based on lowest price.

Projects over \$100,000 will follow the City's formal bid process and will comply with the large purchase requirements of 24 CFR part 85.36 including bonding requirements.

A pre-bid meeting will be held with the contractor prior to the start of work. At that meeting the contractor will provide all color and material samples to be used for the project.

g. Contracts

Master contracts will be executed for each contractor eligible to be placed on the master contract list. The rehabilitation work to be performed on each home will be outlined in the e-quote furnished by the successful bidder. The City will provide oversight of rehabilitation projects that includes funding provided by this program or other housing programs administered by the City.

h. Inspections

During construction, the Community Services inspector and/or the building inspector will periodically inspect the work to ensure compliance with all contracted work specifications, rehabilitation standards and the State Building Codes.

i. Payments

All contract payments shall be made by the City directly to the Contractor. Contractors will submit an original invoice and a signed original certificate and release form which will require approval prior to issuance of payment. Payment request forms will be processed and the City will review and approve all work.

j. Change Orders

Changes in scope of work that may become necessary during construction will be reviewed by the Department staff and approved in accordance with City bidding/purchasing policies. The Contractor shall make no changes in the work and shall not seek payment for changes or additional work without prior issuance of a written change order authorized by the City.

k. Final Inspections/ Project Closeout

Upon completion of the work, a final inspection will be performed by the Department inspection staff and the Building Department to ensure that all work complies with the contract and building code. The Contractor shall submit a final invoice, release of liens and warranty documents, including a statement from the contractor that all work authorized under the contract and any subsequent change orders has been completed and inspected as per code.

Following receipt of required documents and approval of work, the Department Administrator will authorize final payment. Prior to listing the property for resale it must meet all applicable building codes. Deficiencies must be corrected prior to final payment to the contractor.

I. Work Guarantees

Contractors are required to guarantee all workmanship for a period of at least one year following contract close-out. In addition the contractor will provide separate warranties for other trades, such as roofing and A/C and provide applicable appliance and material manufacturer warranties.

3. Disposition 24 CFR 570.201 (b)

a. Summary of Activity

This activity involves disposition, through sale, donation, or otherwise, of residential units acquired with NSP funds along with reasonable costs of temporarily managing such properties. All properties under this activity will be transferred for the purpose of affordable housing to benefit LMMI households. All disposition of property under this program shall be made subject to contractual conditions and/or covenants insuring the continuing use of the property for purposes consistent with NSP program objectives.

b. Sales Price

The sales price of each NSP unit shall be determined by adding the price paid by the City to purchase the property plus rehabilitation costs, activity delivery costs, and the Realtor's marketing fee or the appraised value, whichever is less. The City may reduce the costs for rehabilitation on those units assisting low income clients. Homebuyer subsidy may be available with second mortgage deferred payment assistance based on income eligibility of the client and the amount needed to make the unit affordable. See Paragraph e(2) below.

c. Seller's Closing Costs

The City will pay for documentary tax stamps (surtax) on the Deed and tax service fees for Homebuyer's financing with FHA loans. Otherwise, all closing costs will be paid by Buyer.

d. Home Buyer's Warranty

The City will pay the lesser of \$400 or the full price of a Home Warranty Plan to be chosen by the Home buyer prior to closing and paid by Seller at closing. Purchaser may arrange for coverage under a Home Warranty from any service provider and/or may request assistance from the Seller's Realtor Representative. The cost of the warranty will be paid by Seller as part of the closing costs.

e. Disposition / Homeownership

The City will use members of its lender consortium to qualify applicants who will purchase a home under this program. The applicant will be provided with the list of members in the lenders consortium and they will select the lender from that list. Lenders must execute an affidavit that they agree to comply with the bank regulators' guidance for non-traditional mortgages.

f. Marketing

The Department of Community Services plans to advertise the NSP home purchase program in both English and Spanish to low, moderate, and middle income households through media such as newspapers, the Port St. Lucie web site, message boards and TV 20. Local lenders may also help market the program to eligible homebuyers and information may be made available at libraries, and to schools, local police, fire district and sheriffs offices.

g. Qualifying Potential Homebuyer

(1.) Counseling Requirements

Homebuyers purchasing NSP assisted housing must complete 8 hours of home buyer counseling from a HUD approved agency. The Counseling may be provided in a classroom setting, one on one or a combination of both formats. The applicant must provide proof that they have attended this course within the last 6 months prior to closing by presenting a Certificate of Completion which shall be maintained in the client file. The Counseling agency will be selected through a bidding process and may be in coordination with the other governmental agencies in the county.

(2.) Loan Requirements

Homebuyers must be prepared to purchase a home in a designated target area and obtain a conventional, or FHA, or VA, 30 year, fixed rate mortgage. Sub prime mortgages and adjustable rate mortgages are not allowed. The purchaser may qualify for a second mortgage subsidy under the NSP program based on the income limits and income guidelines under 24 CFR part 5. Second mortgage subsidies will not exceed \$40,000 for households with income at 50% of the area median income, \$30,000 for households with income at 80% of the area median income and \$20,000 for households with income at 120% of the area median income. Assistance will be in the form of a second mortgage deferred payment loan.

The term of the City's second mortgage loans will be 25 years at 0% interest, forgiven at a rate of 4% per year over 25 years. The prorated payment is due and payable if the property is sold, transferred and/or ceases to be the primary residence of the applicant during the term of affordability. An heir or qualified buyer that meets the income guidelines of the program may be able to assume the second mortgage loan instrument and must agree to comply with all of the terms and conditions of that mortgage.

h. Environmental Review

Community Services will complete an environmental checklist for each property purchased with NSP funding. Disposition is categorically excluded subject to Sec. 58.5 and becomes exempt under 58.24(a)(5) if there are no factors to mitigate.

i. Disposition Costs

Eligible costs under this activity include but are not limited to maintenance of property after acquisition, printing of marketing materials associated with resale of the unit, sellers closing costs, possible home purchase assistance and new appraisal.

**4. Homeownership Assistance 24 CFR 570.201(n)**

a. Summary of Activity

Foreclosed residential properties shall be available for purchase by households at or below 120% AMI as defined by the current Income Limits chart adjusted to family size as published annually by HUD for the City. This activity will provide funds to establish financing assistance to support LMMI households in purchasing NSP properties. Any household/applicant who has qualified to purchase an NSP property may also qualify for housing finance assistance in the form of loan buydowns, etc. Availability of subsidy to an applicant shall be based on need. A Lenders Consortium of participating lenders will be available to provide permanent financing for eligible, qualified buyers.

b. Applicant Selection Criteria

(1.) Eligible applicants will be selected on a first come, first qualified, or first served basis subject to funding availability. Priority may be given to households at 50% of area median income until the 25% set aside required for this group has been met.

(2.) Applicants must be income eligible for this program. Income eligibility will be based on the HUD rule under 24 CFR part 5 and will be based on total annual gross household income by family size.

(3.) Applicant must have completed an 8-hour HUD approved Homebuyer Education class prior to purchasing a NSP property or benefiting from Housing Finance Assistance.

c. Advertising

The City shall advertise the notice of funding availability in a newspaper of general circulation before the beginning of the application period. In addition to advertising in the newspaper, the NOFA will be placed on the City of Port St. Lucie website.

d. Application Process

Interested home buyers will be provided with a list of lenders that are part of the lending consortium. The lender will require that the applicant complete an application for a determination of eligibility. Applicants will be provided with a checklist of documents that must be submitted to determine client eligibility.

e. Income Verification

Verification of income for all household members must be used to determine client eligibility. Documents submitted by the applicant for all household members include but are not limited: pay stubs, social security/disability income information, retirement income, pensions, child support/alimony income information, business income and tax returns. The City's Department of Community Services will follow the HUD guidelines for determining household size and income eligibility for the household and will issue an income certification when the client is determined eligible. The City will issue an award letter to the client if the client is eligible. The award letter will serve as our commitment of funds for each client.

f. Assets/Gifts

All assets will be verified for all household members in accordance with HUD guidelines. All assets held by each member of an applicant's household must be verified. Assets include but

are not limited to: checking accounts, savings accounts, certificates, stocks, bonds, and real estate. All income derived from assets will be included in the applicant's gross income amount. In general, verifiable cash and other assets or gifts for home purchase should not exceed those allowed under the SHIP Home Purchase Program, which is \$15,000. Households with more than that amount may be asked to use those assets before they can receive assistance.

g. Financing

Assistance will be provided to eligible households in the form of a deferred payment loan at 0% interest that will be forgiven at 4% per year for a term of 25 years.

All loan awards will be secured with a second mortgage recorded in the public records and a promissory note.

h. Recapture

Repayment of the prorated share of the loan will be immediately due to the City in the event any of the following events occur prior to expiration of the note:

- Sale of unit
- Title transfer
- Unit is no longer continuously occupied by purchaser
- Unit is rented
- Unit is refinanced without prior authorization of the City.

Such repaid funds will be program income and will be used by the City to assist another client under the terms of the NSP program. If assisted homeowner does not trigger any of the above mentioned qualifying events the loan will be satisfied at the end of the 25 year term. In the event the homeowner wishes to refinance his or her first mortgage or take out an equity loan to make repairs or improvements, the request must be in compliance with the City's subordination policy. This policy is provided to potential homeowners prior to purchase.

i. Maximum Award

The maximum award is limited to \$40,000 for households whose incomes are 50% AMI or less. The maximum award is limited to \$30,000 for households whose incomes are 80% AMI or less. The maximum award is limited to \$20,000 for households whose incomes are 120% AMI or less. The maximum is not automatically provided to an applicant; rather, the amount of home purchase assistance and subsidy awarded will be the minimum amount necessary to enable the buyer to purchase the property at a monthly payment that is affordable as determined by the first mortgage lender.

j. Affordability

The first mortgage lender will determine what amount of home purchase assistance and subsidy is needed for the household to make the monthly payment affordable and abide by the City's housing assistance guidelines. It is the intent of the City's NSP program to assist low/moderate income clients so that their front end ratios are at 29%. We will allow a higher ratio (no higher than 32%), but would prefer ratios closer to 29%, especially in those cases where the client has not utilized all of the city funds available to them. It is not the intent of the City to assist low/moderate income clients so that their ratios go below 29% front end ratio

unless there is a mitigating circumstance, such as a high back-end ratio. Adjustable rate first mortgages are not allowed.

k. Sale to Homebuyer

Approved and qualified homebuyers will be assisted first come, first ready. However, we will reserve the right to select low income clients ahead of higher income clients or hold special funding cycles etc. in order to meet the 25% set aside requirements for low income clients. We will also reserve a number of lower priced homes for low income buyers to ensure that they will have an adequate number of homes to select. These homes will generally be purchased from foreclosing lenders at \$65,000 or less and/or priced with rehab included at \$80,000 or less. We may allow moderate or middle income buyers to purchase a home that has been reserved for low income buyers if those mod/middle income buyers do not qualify for homes over \$80,000 and if all low income buyers already selected to purchase a home have been given a chance to purchase that particular home.

Qualified buyers who have been approved by the first mortgage lender, have completed their 8 hour counseling class as evidenced by a certificate and have been qualified by City staff as evidenced by an award letter will be provided with a list of eligible properties available for purchase in their price range. The applicant will have 30 days to select a property and enter into an agreement with the city for purchase. The City will allow the buyer or the first mortgage lender, if required, to choose the title company that will do the closing on behalf of both the bank and the City. If a homebuyer has not selected a home within 30 days of the issuance of their award letter, their award letter will expire and they must request an extension in writing. The City at that time will have the ability to grant the extension or cancel the award contingent on the circumstances expressed in the extension request. The extension will be granted for delays that are outside of the applicants control such as illness, death in the family, etc.

Since our homebuyers have been prequalified for a specific amount, they should be looking for homes in that approximate price range. If the client is unable to qualify for any of the homes available, they may request placement at the top of the waiting list for the next home that is listed for the prequalifying purchase price. If there are homes available in their price range but the household does not choose one of them, the applicant may withdraw from the program or be placed at the bottom of the waiting list behind others who have not had a chance to choose a home.

We normally have a number of homes ready to purchase by the time an applicant is selected, and we will be purchasing and repairing additional homes as we sell additional residences. But we cannot guarantee that we will have a home for each homebuyer to purchase that they may want to choose.

l. Monitoring of Mortgage Compliance and Affordability

The City records a second mortgage to ensure that the assistance provided to applicants at closing is repaid if the homebuyer sells the home during the 25 year affordability period. We will also monitor homeowner insurance policies to ensure that homeowners are not renting out the property. We will also send letters to homeowners once a year to ensure that the property is still occupied and will followup when it appears that the home may be vacant or rented out.

## 5. Demolition of blighted structures 24 CFR 570.201(d)

### a. Summary of Activity

The City will identify foreclosed and abandoned homes and residential properties that are blighted structures and eligible for demolition in NSP target areas. All properties will be inspected by the City inspector in coordination with the Community Services Department to ensure that they meet the definition of blighted and are therefore eligible for demolition. Properties that are demolished will be placed on the list of City inventory of land and will be offered under a Request for Proposal (RFP) to non-profits for development of affordable housing.

### b. Definition of Blighted Structure:

*Blighted Structure.* For the purpose of the NSP the City will consider a blighted structure to be a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to the human health, safety, or welfare of the public. Port St. Lucie will generally consider a structure as blighted if one of the following criteria is met:

- The structure is open, cannot be secured against entry, and is unsafe or unfit for human occupancy; The unsafe structure is secured against public entry, but it presents a threat to a neighboring property or public right of way (such as a sidewalk) because of a potential collapse or other threat;
- The structure is determined to harbor nuisances and threats to human health, safety or welfare which may negatively impact a neighboring property; or
- The structure presents a visual blight due to collapse or other un-repaired damage, or
- it is determined that repairs will cost more than economically feasible, which would be more than 50%-75% of the appraised value, although mitigating factors may be considered; or
- The structure is lying in a state of incomplete construction, resulting in a negative view of the surrounding properties; or other similar conditions.

Where demolition is being considered only because repairs are estimated to exceed 50%-75% of the appraised value, we may consider mitigating factors such as the following:

- structural condition - CBS would be a plus, wood frame may be a minus
- costs after deduction of repairs that are not mandatory (such as shutters when no windows are replaced and/or hookup to sewer when it may not be required).
- If bids are under 50%-75% of appraised value with the deduction of all non-mandatory repairs, then we will proceed with repairs
- 10% cost variance. We will deduct 10% from the estimated repair cost to allow for variance of repair costs due to competitive bidding. For example, if a property is appraised at \$60,000 and the estimate for repairs is \$32,000, then 10% or \$3,200 will be deducted. If the estimate with the 10% variance included is below 50%-75% of appraised value, the property will continue on to receive bids; if not, it will proceed to demolition. If the bids are under 50-75% of appraised value (with the deduction of the cost of non-mandatory repairs) then we will proceed with repairs. If repairs are between 50%-75% of appraised value we will also ask for written concurrence by the building

department for demolition. For the purposes of the NSP program, we may repair/rehab homes where repairs are in excess of 50%-75% of the appraised value only if the homes are required for low income households and/or we have met or exceeded our quota of demolitions for the program.

c. Acquisition of Properties

The City will locate residential structures that have been foreclosed upon and are within the Targeted Area. Selection will be made from lists provided by lenders and realtors that have responded to the City's advertisement or from the Trust (NCST). The City staff will also create a list of properties based on referrals from the code enforcement office and building inspectors.

d. Property Type / Purchase Price Limit

Any property that meets the federal definition of foreclosed property and the City's definition of a property not suitable for repair as stated in this document will be considered for demolition. Properties will be purchased for no more than 99% of appraised value while taking into consideration the cost of demolition, maintenance and carrying cost of the property.

e. Code Violations and Liens

Any liens filed by the city will be waived or paid with other funds. Any liens filed by the county, utility companies or other non city agency will be paid when the property is acquired if they cannot be negotiated for release or paid by the seller/lender.

f. Appraisals

Appraisals must be dated within 60 days of final offer to purchase. The Appraiser must be Florida State Certified and licensed in good standing with the State of Florida. Appraisals must be performed in conformity with the appraisal requirements of URA at 49 CFR 24.103. The City will solicit services from one or more appraisers. Appraisers may be utilized based on the best price and timeframe for completion of appraisal.

g. Environmental Assessments

The City will ensure compliance with the environmental requirements at 24 CFR Part 58. For properties that are categorically excluded and become exempt the City will prepare the statutory checklist as required by HUD. Priority will be given to properties that are not in flood zones and have no historical significance.

**6. Planning and Administrative Expenses 24 CFR 570.205 and 24 CFR 570.206**

a) Summary of Activity

This activity will provide a means for the administration of all program strategies. The total amount expended for administration will not exceed 10% of the NSP allocation and 10% of program income earned and will be used for planning activities and general program administration.

b) Planning and Administrative expenses

Planning and Administrative expenses include but are not limited to:

Program Planning and Environmental Expenses

Oversight and management to ensure compliance with the federal regulations  
General management, oversight and coordination  
Citizen participation compliance  
Program evaluation and monitoring  
Fair housing compliance

c) Program Income

All program income received under this program will be tracked and used to carry out eligible activities under the NSP program.

d) Reporting Requirements

All activities carried out with NSP funds will be reported on the Disaster Recovery Grant Reporting Program (DRGR). Staff will update information on all projects and activities as they occur, but at least on a quarterly basis, to accurately reflect program expenditures. All reports will be made available on the City's web site after submission and approval by HUD. Data will reflect actual performance for demolition and production, expenditures and un-liquidated obligations for approved activities.

**6. Compliance and Monitoring of NSP Files and Records**

a) Summary of Activity

This activity will provide a means for ensuring that NSP regulations are followed and program requirements are met.

b) Review Process

Community Services staff, under direction of the Assistant Director, will be responsible for monitoring the quality of NSP files and financial information contained in Excel spreadsheets and the ACCESS system. The Director will be responsible for creation and accuracy of the budget and DRGR reporting systems. The process will be ongoing, with double checks created for financial activities.