CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	June 10, 2014	
RESOLUTION OR ORDINANCE NUMBER	R-14-44	
AGENDA TITLE	A Resolution to amend the Neighborhood Stabilization Program Action Plan.	
REQUESTING DEPARTMENT	Administration	
PRESENTER	Cindy Price	
FISCAL INFORMATION	Cost as recommended:	n/a
	Budget Line Item:	
	Balance Available	
	New Appropriation Required:	[ ] Yes [X] No
PURPOSE	To amend the Neighborhood Stabilization Program (NSP) action plan originally approved April 28, 2009.	

BACKGROUND	The NSP was established for the redevelopment of abandoned and foreclosed homes and to redevelop demolished or vacant properties. The City has participated in the NSP program since 2009. In the first phase, two houses (108 N. Buckeye and 608 N. Maple) were purchased, rehabbed and sold In phase two, the City was awarded funding to build two houses. One of the houses was built at 602 W. 4th. This property, which contained a dilapidated house, was donated to the City, and the plans were to rehab it as part of the KHRC housing grant. Since funds available in the NSP could be used to demolish a structure, it was determined to build one of the houses there. The second house has been built at 1006 W. 5th on a vacant lot; the house had already been demolished prior to the City purchasing the lot. The goal of the NSP is to sell the properties to income eligible owner occupants. The sale price is based on the income level of the purchaser with financial assistance offered in the form of down payment and closing cost assistance. Eligible homebuyers must have an annual income of not more than 50% of area median income *or* 120% of area median income (AMI). At least one of the houses must be sold to a homebuyer whose income is below the 50% AMI. (See the flyer for income limits). Homebuyers will be required to obtain a fixed rate mortgage loan, and the home must be used as the primary residence. Based on income qualification, NSP funds may be used for a down payment on the purchase price of the home up to 40% and up to 100% of the closing costs. The selling price of the houses will be based on the appraised value less any assistance offered. It may be necessary to offer a discounted sales price in addition to the down payment and closing cost assistance due to income or loan restrictions. A 0% interest forgivable second mortgage will be filed for the amount of assistance offered.

SPECIAL NOTES	There are no city dollars involved with this program. Susan Galemore with the Southeast Kansas Regional Planning Commission is administering this program. The first step involved for someone interested in purchasing one of the houses is to fill out an application to determine if they income qualify. All applications are submitted to SEKRPC to verify the income. The next step is for the applicant to pre-qualify for a loan.
ANALYSIS	
PUBLIC INFORMATION PROCESS	Signage, Channel 13 and the website will be used to market the houses.
BOARD OR COMMISSION RECOMMENDATION	
STAFF RECOMMENDATION	Approve the amended NSP Action Plan.
REFERENCE DOCUMENTS ATTACHED	• Resolution No. R-14-44 • Amended NSP Action Plan • Flyer describing the program

RESOLUTION NO. R-14-44

A RESOLUTION TO AMEND THE NEIGHBORHOOD STABILIZATION PROGRAM ACTION PLAN ORIGINALLY APPROVED APRIL 28, 2009.

WHEREAS, On July 30, 2008, Congress passed the Housing and Economic Recovery Act (HERA) which establishes a program for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties; and

WHEREAS, this program is commonly referred to as the Neighborhood Stabilization Program (NSP); and

WHEREAS, the City of Coffeyville originally approved the NSP action plan on April 28, 2009; and

WHEREAS, the NSP action plan was amended on July 24, 2012, to include funding for the construction of new infill housing; and

WHEREAS, the financing mechanism in the action plan is amended to include: the City will provide financing to purchasers who income qualify in the form of

a. up to 40% of purchase price of in down payment assistance
b. up to 100% of closing costs

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that the Mayor and City Clerk be and are hereby authorized and directed to execute an amended Action Plan for participation in the Neighborhood Stabilization Program.

ADOPTED THIS 10TH DAY OF JUNE 2014

_____
James Falkner, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

CITY OF COFFEYVILLE

Available Properties

602 W. 4th
1006 W. 5th

- 1,342 square feet living area
- 3 Bedrooms, 2 bath
- Attached two-car garage
- Energy Star Appliances
- Appraised Value: $141,000

NSP Basics

The Neighborhood Stabilization Program (NSP) has provided funds to the City of Coffeyville to stabilize neighborhoods. The City is currently in the redevelopment phase of the program and has constructed two new homes on vacant lots. The goal of the program is to sell these properties to income eligible owner occupants. These two homes are being offered for sale with the sales price based on the income level of the purchaser with financial assistance offered in the form of a 0% interest forgivable second mortgage.

Eligible Homebuyers

Eligible homebuyers must have an annual income of not more than 50% of area median income or 120% of area median income (AMI). At least one of the houses must be sold to a homebuyer whose income is below the 50% AMI. Each potential homebuyer must complete 8 hours of HUD-approved homebuyer counseling. Homebuyers will be required to obtain a fixed rate mortgage loan from a lender who has demonstrated their commitment to sound lending practices. The buyer will be required to use the home as their primary residence.

Income Guidelines

2014 Income Limits by household size:

	50% AMI	120% AMI
1 Person:	$19,400	$46,575
2 Person	$22,200	$53,175
3 Person:	$24,950	$59,850
4 Person:	$27,700	$66,450
5 Person	$29,950	$71,775
6 Person:	$32,150	$77,100
7 Person:	$34,350	$82,425
8 Person:	$36,600	$87,750

Financing

Based on income qualification, NSP funds may be used for:

- Discount on purchase price of home
- Percentage of closing costs

CITY OF COFFEYVILLE

NEIGHBORHOOD STABILIZATION PROGRAM

ACTION PLAN

Amended June 10, 2014

On July 30, 2008, Congress passed the Housing and Economic Recovery Act (HERA), which establishes a program for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties. This program is commonly referred to as the Neighborhood Stabilization Program (NSP). Under this program, the City of Coffeyville was awarded $218,472 as established in CDBG grant 09-NSP-014.

Also, on August 7, 2012, an amendment was approved by KDOC allocating an additional $312,000, bringing the total NSP grant amount to $530,472.

Title III of Division B of the Housing and Economic Recovery Act of 2008 outlines the program rules and regulations to be followed by all grantees, see Attachment A.

The specific activities to be carried out by this grant are as follows:

1. **Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.**

   Estimated number of properties to be purchased: 2
   Dollars allocated to this activity: $66,883.04

   Estimated number of properties to be rehabilitated: 2
   Dollars allocated to this activity: $113,432.61

   This process will involve the following:

   i. An appraisal will be conducted within 60 days prior to an offer made for the property. Appraisals will be conducted by a certified appraiser that has been procured following CDBG guidelines, or the City's procurement guidelines, whichever is stricter.

   ii. A 1% discount will be requested on the current market-appraised value of the home or property including allowable carrying costs and holding costs;

      - Carrying costs shall include, but not limited to: taxes, insurance, maintenance, marketing, overhead, and interest.
      - The average holding period for a property shall be determined by using the local average days on the market to sell real estate (residential or multi-family.) This number shall be determined from local statistics (local realtor statistics.)

   iii. After the purchase of the property is complete, a Housing Quality Standards (HQS) inspection will be completed by a HQS certified inspector. The HQS standards to be followed for NSP are included as Attachment B. At the conclusion of the HQS inspection, it will be determined whether to demolish, rehabilitate, or disburse the property.

- Demolish: If the HQS inspection determines the property to be blighted, demolition may occur. This activity is discussed under activity 2.

- Rehabilitate: If the HQS inspection determines that rehabilitation is necessary to meet HQS standards, a work write-up will be developed outlining the scope of work to be bid out to lead certified contractors. The maximum amount to be spent on rehabilitation will be $25,000. If the property was built prior to 1978, all state and federal regulations regarding lead-based paint (LBP) hazards will apply and are hereby made a part of this plan.

- Sell: If the HQS inspection determines that the property meets HQS standards, no rehabilitation will be conducted and the property will be sold.

iv. Disburse the property: After all necessary inspections and work has been completed and the property is determined it is ready to be disbursed, the City will choose to sell or donate the property.

- Sell: potential buyers will be sought from a pool of interested applicants supplied by local agencies. Income qualification will be conducted to ensure the buyers income is at or below 120% of the area median income, (AMI). Preference will be given to homebuyers who are 50& of the AMI. Homebuyers will be required to reside in their homes for a period of three years in order for all covenants or assistance restrictions to expire. Homebuyers will also be required to attend 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

    - If a qualified buyer cannot be obtained through the pool of applicants, a real estate agent may be hired to sell the property. HERA rules and regulations will be followed for this activity.

- Donate: The City may choose to donate the property to a local non-profit, housing authority or CHDO to be utilized in a manner to ensure the NSP programs affordability requirements. Affordability requirements are outlined in Attachment C. (Restrictive covenants will be attached to the property.)

v. Redevelopment: This option is discussed in Activity 3.

2. Demolish blighted structures:

Estimated number of properties to be addressed: 0
Dollars allocated to this activity: $0

Blighted structures means an area (other than a slum area) which by reason of the presence of a substantial number of slum, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or

usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition and use: *Provided,* That if such blighted area consists of open land the conditions contained in the proviso in K.S.A. 17-4747(d) shall apply.

This activity will meet the HERA low- and moderate-income national objective because demolition will be limited to blighted structures in neighborhoods in which at least 51% of the residents have incomes at or below 120% of the Area Median Income.

3. Redevelopment:

Estimated number of properties to be addressed: 2
Dollars allocated to this activity: $274,863.35

NSP funds will be used to redevelop demolished or vacant properties. Redevelopment shall include the acquisition, demolition and rehabilitation or construction of new infill housing for rent or sale to households earning less than 120% of the Area Median Income. These funds may also be used to help pay for infrastructure that is necessary to construct new housing. At least 25% of the NSP funds spent on this activity will be used to produce affordable housing that is rented or sold to households with incomes that do not exceed 50% of the Area Median Income. Non-profit housing organizations and private developers are expected to assist the City in carrying out this activity.

Disburse the property: After all necessary inspections and work has been completed and the property is determined it is ready to be disbursed, the City will choose to sell or donate the property.

- Priority I: The first priority will be to sell the property to potential buyers who will be sought from a pool of interested applicants supplied by local agencies. Income qualification will be conducted to ensure the buyers income is at or below 120% of the area median income, (AMI). Fifty percent of the redeveloped properties must be occupied by occupants who are below 50% of the AMI. Homebuyers will be required to reside in their homes for a period described in Table B in order for all covenants or assistance restrictions to expire. Homebuyers will also be required to attend 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- If a qualified buyer cannot be obtained through the pool of applicants, a real estate agent may be hired to sell the property. HERA rules and regulations will be followed for this activity.

- Priority II: If all attempts have failed to sell the property after 6 months, the City may choose to donate the property to a local non-profit, housing authority or Certified Housing Development Organization (CHDO) to be utilized in a manner to ensure the NSP programs affordability requirements. Affordability requirements are outlined in Attachment C. (Restrictive covenants will be attached to the property.)

4. Financing Mechanism:

Estimated number of properties to be addressed: 2
Dollars allocated to this activity: $40,000

The City will provide financing to purchasers who income qualify as those earning between 50% and 120% of AMI in the form of;

a. down payment: up to 40% of purchase price of property
b. up to 100% of closing costs

Financial Assistance Offered

Table A

Area Median Income	Down Payment	Closing Cost Paid by Seller
Less than 50%	40%	100%
Less than 120%	20%	100%

A soft lien will be filed for the amount of assistance for a period determined in the table below.

Table B

Affordability Period	Subsidy Amount
5 years (60 months)	Less than $14,999
10 years (120 months)	Between $15,000-$40,000
15 years (180 months)	Over $40,000

The selling price of each home will be based on the appraised value less any discounts offered on a case by case basis. For example, it may be necessary to offer a discounted sales price in addition to the down payment and closing cost assistance due to income or loan restrictions.

5. Administration:

Dollars allocated to this activity: $35,293.00.

ENVIRONMENTAL REQUIREMENTS:

All NEPA environmental requirements will be adhered to and is made part of this plan.

FAIR HOUSING AND CIVIL RIGHTS:

City of Coffeyville will endeavor to administrate the NSP program and, specifically, the marketing of properties without regard to race, color, national origin, religion, sex, familial status, and handicap.

City of Coffeyville is not aware of impediments to fair housing currently occurring within the City. However, in an effort to ensure disadvantanged groups will have equal access to NSP program benefits, City of Coffeyville will undertake the following activities when marketing a property for sale or rent, including financing mechanisms offered:

a. Publish a public notice in the most widely circulated newspaper, and in a foreign language publication, if available.
b. Advertise the program and property on the local public access channel.
c. Notify the local disabled non-profit organizations.
d. Notify any other interested parties.
e. If necessary, provide an interpreter for the Limited English proficiency population.

A property log will be maintained on each property delineating activities completed and demographics associated with those activities.

SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968:

City of Coffeyville will adhere to the rules and regulations of Section 3 of the Housing and Urban Development Act of 1968. Specifically, with regards to the employment and other economic opportunities provided to low- and very low-income persons.

Approved by the City of Coffeyville Commission this _____day of _____, 2014.

_____ _____

James Falkner, Mayor Cindy Price, City Clerk