



Legislation Text

File #: 09-0860, Version: 1

Resolution to Allocate \$245,000.00 in NSP Funds to Habitat for Humanity of Huron Valley for the Acquisition, Rehabilitation and Resale of Affordable Housing for Low-Income Homebuyers, to Approve the Housing Affordability Agreement, and to Approve the Transfer of Home Loans to Homebuyers Purchasing Homes Through Habitat for Humanity of Huron Valley (\$245,000.00 NSP Funds)

Attached for your review and approval is a resolution to allocate \$245,000 in Neighborhood Stabilization Program (NSP) funds to Habitat for Humanity of Huron Valley for the acquisition, rehabilitation and resale of affordable housing for low-income homebuyers and to approve the Housing Affordability Agreement. Habitat will receive up to \$60,000 for each house and will leverage about \$60,000 in donations, grants and volunteer labor for each house.

Habitat will acquire houses in NSP eligible census tracts, rehabilitate them and resell them to a low-income homebuyer who must provide 300 hours of sweat equity toward the program. Habitat will provide a 0% interest mortgage to the homebuyer that is repaid over 15 - 30 years, depending on the financial situation of the homebuyer. The City will place a mortgage on the house in the amount of the City's funding at the time Habitat purchases the home, which will continue with the homebuyer in second lien position behind Habitat's mortgage. The City's acquisition and resale loan to Habitat shall be a 0% interest, two year, deferred payment loan, with repayment upon sale or transfer of the property before the two year term ends, or transfer of the loan to a homebuyer consistent with the terms of the resolution, contingent upon environmental review and confirmation of NSP program eligibility of each house by the Office of Community Development. The per house allocation of \$60,000 may include up to \$15,000 in down payment and closing cost assistance for the homebuyer, depending on the total development costs and the homebuyer's financial situation.

The City's mortgage with the homeowner will be a 0% interest 20-year mortgage with an equity-sharing recapture formula at the time of sale or transfer of the property. If the homeowner lives in the home for 20 years, the mortgage will be forgiven and discharged. If the homeowner sells or transfers the home before 20 years have expired, the amount the homeowner repays is based on a formula that takes into account the percent of the City's initial investment, the change in appraised value, and the proceeds available.

Recapture Formula Scenarios:

Initial Appraised After Rehab Value (IARV)	\$90,000
Initial Purchase Price (IPP)	\$75,000
City NSP investment (\$15K DPA & \$20K Rehab)	\$35,000
City NSP investment as percent of IARV	39%

Scenario 1: Sold 10 years later with significant increase in value

Appraised Value (AV)	\$200,000
Increase in Appraised Value (AV -IARV)	\$110,000

39% of Increase in Value \$42,900

\$42,900 is greater than \$35,000, so the homeowner repays \$42,900

Scenario 2: Sold 10 years later with moderate increase in value

Appraised Value (AV)	\$150,000
Increase in Appraised Value (AV -IARV)	\$60,000
39% of Increase in Value	\$23,400
Net proceeds	\$80,000

\$23,400 is less than \$35,000 and the net proceeds are greater than \$35,000, so the homeowner repays \$35,000

Scenario 3: Sold 10 years later with decrease in value

Appraised Value/Sales Price	\$85,000
Owner Private Mortgage Lien repayment	-\$60,000
Owner initial cash investment	-\$1,000
Closing Costs and Realtor	-\$6,000
Balance	\$19,000

\$19,000 is repaid instead of \$35,000

Habitat's primary target is households between 30% and 60% of Area Median Income (AMI). Homebuyers between 60% AMI and 120% AMI will be served by Community Housing Alternatives. The Washtenaw Housing Education Partners (WHEP) will provide a minimum of 8 hours of homeowner education that can include counseling, financial literacy classes, credit repair assistance, home maintenance classes and help applying for down payment assistance from other funders.

This project is consistent with the City's Consolidated Strategy and Plan. The City Attorney's office will review the legal and contractual documents to ensure that Habitat and each homebuyer will comply with the requirements in the NSP regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations.

On February 24, 2009 the Urban County of Washtenaw, of which the City of Ann Arbor is a member, reviewed Habitat's application for funds and recommended approval of \$245,000 in City of Ann Arbor NSP funds, \$561,124 Urban County NSP funds and \$415,537 in Urban County HOME funds.

Effective September 9, 2009, the NSP budget reflects \$850,000 in uncommitted and available funds.

The Office of Community Development recommends City Council approve the \$245,000 NSP loan as a 0% interest, 20-year term, deferred payment loan, with repayment upon sale or transfer of the property based on a formula approved by MSHDA and summarized above. The loan will be forgiven and discharged after 20 years.

Habitat for Humanity of Huron Valley will receive Living Wage and Human Rights approval before the contract is executed.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director and Jayne Miller, Community

Services Administrator

Whereas, An application was received in January 2009 from Habitat for Humanity of Huron Valley ("Habitat") for financial assistance for the acquisition, rehabilitation and resale of affordable housing for low-income homebuyers;

Whereas, Habitat will leverage about \$60,000.00 in donations, grants and volunteer labor for each house acquired and rehabilitated; and

Whereas, This project will provide affordable housing for households between 30% AMI and 60% AMI, which is consistent with the City's Consolidated Strategy and Plan;

RESOLVED, That City Council approve the allocation of \$245,000.00 in Neighborhood Stabilization Program ("NSP") Funds to Habitat for Humanity of Huron Valley for the acquisition, rehabilitation and resale of affordable housing for low-income homebuyers, with a maximum of \$60,000.00 per home;

RESOLVED, That the loan to Habitat for each home shall be a 0% interest, two year, deferred payment loan, with repayment upon sale or transfer of the property before the two year term ends, or transfer of the loan to a homebuyer consistent with the terms of this resolution, contingent upon environmental review and confirmation of NSP program eligibility of each house by the Office of Community Development;

RESOLVED, That as a condition of loan disbursement, Habitat will execute a housing affordability agreement, mortgage and promissory note for each house acquired, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That City Council approve the transfer of each loan to an income-qualified homebuyer, as a 0% interest, 20-year term, deferred payment loan, with repayment upon sale or transfer of the property before the 20 year term ends based on the formula approved by MSHDA for the NSP program, and otherwise forgiven and discharged after 20 years, contingent upon Office of Community Development verification that the buyer is income qualified at a maximum of 60% AMI and that each house has continued eligibility under the NSP program;

RESOLVED, That as a condition of loan disbursement, each homebuyer will execute an affordability agreement, mortgage and promissory note for the house acquired, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to sign Housing Affordability Agreements with Habitat and each homebuyer consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.

See Amended Resolution