

Community Progress: A Variety of Approaches Taken by Florida's NSP Participants Across the State

Fort Myers NSP home just listed as a foreclosure being checked out by inspector.

The City of Fort Myers Housing and Real Estate Division is in charge of the NSP program.

Division Director Sharon Rozier, Housing and Real Estate Division Manager works with an outside consultant, Lee Combs, AICP, to coordinate all NSP activities.

The City team also includes a building inspector and sustainability coordinator, Diana Giraldo, Housing Development and Financial Specialist, Cary Mock, and managing the DRGR process, Keisha Cyriaano, Housing and Development Principal Planner.



The City of Fort Myers

Some best practices are happening in this small but committed city. With close to half of their NSP allocation of \$2.2 million obligated, Fort Myers is well on their way to purchasing and rehabilitating foreclosed properties.

Last spring, director Sharon Rozier asked the Florida Housing Coalition for technical assistance on overall program format and several approaches were considered. The City has chosen to acquire the units in its own name, bid out the rehab, and provide down payment assistance and counseling to interested buyers. The City also pur-

chased a 7 unit apartment complex which will be rehabilitated using NSP funds and deeded to a dedicated nonprofit support organization to meet its 25% set-aside for very low income residents. It is turning out that many of the home purchasers are also below 50% area median income and thus ensure the program requirement will be met.

Some observations of the NSP program in Ft. Myers:

- A record keeping system has evolved to keep track of the property purchases. Each property has three folders that will eventually be combined: Acquisition, Rehabilitation, and Sales. These contain all of the

The Neighborhood Stabilization Program provides opportunities for Fort Myers to offer affordable housing to low/moderate income families. The City is stabilizing neighborhoods by acquiring, then rehabilitating, homes in foreclosure. Rehabilitation best practice includes energy efficiency and water conservation features that benefit future homeowners. This program emphasizes the importance of green building, energy conservation and effective sustainable practices for the NSP recipients and the overall community.

– Robert Gardner, City of Fort Myers Community Development Director



compliance and due diligence documents that will be required for reporting. Along with these active folders are the dead end folders of deals that did not materialize. The NSP plan calls for 15 homeowner units, of which 7 have been purchased. The rental property fulfills the dollar amount obligated in the plan with some contingencies.

- Financing for homebuyers is being sought from several mortgage companies through FHA loans.
- Many properties contain code liens that were accumulated after the foreclosure event. The City's code board has been cooperative in waiving these liens at the code enforcement hearings.
- One of the properties brought into the program was a foreclosure owned by the City; NSP does not

require that the foreclosed property be a bank owned foreclosure.

- The city has set aside \$300,000 for demolition. They do not intend to land bank these properties but will build new homes on these sites.
- Purchased properties must be added to the City's umbrella liability policy.
- The seven unit rental property will be deeded to a nonprofit organization to own and manage. The subrecipient agreement contains the rental occupancy and affordability requirements. This will also be included in a land use agreement that will run with the property. The nonprofit does not have experience in rental property management and will therefore receive technical assistance from the Florida Housing Coalition in regard to property management.

Neighborhood Stabilization Program in Florida



Fort Myers NSP inspected home- no offer made as the home cannot be rehabbed.

- The rental property will require rehabilitation exceeding \$100,000. Therefore, since it is below 8 units, Davis Bacon will not be involved but Section 3 and bonding are required. The City held a workshop for its qualified builders to make sure they understand what is involved. Section 3 requires that a portion of employees of the contractor or subcontractors must be either public housing residents or low income. Three bonds are required- a bid bond, performance bond and payment bond.
- The City has taken Green Building technologies seriously. Every home rehab has energy efficiency features including, for example, insulation innovations: energy efficient appliances; solar operated exterior lights; rain barrels; and native landscaping. These features are costing an estimated \$10,000 per unit. There is an education element for the homebuyers so they understand their responsibilities in maintaining these systems. For example, a home in Hope Gardens has been certified as "Silver" level by the Florida Green Building Coalition. The HERS index went from an existing score of 102 to 73 post-rehab resulting in an estimated annual energy cost reduction from \$1,251 to \$947.



Hope Gardens Home showing native landscaping for low water usage.



Hope Gardens home showing rain barrels for watering as a green feature.

- FEMA has re-drawn its flood zones in the city. This has created a complicating factor in neighborhood stabilization. The relatively low market values of the homes and the limitation on expending over 50% of the building value on rehab has put a damper on making the investments in new roofs, new flooring, HVAC systems, and new windows because these costs exceed the FEMA maximums. These properties may be candidates for demolition and new construction.
- So far acquisition costs are about a quarter of the total project cost with rehabilitation expenses making up the bulk of the expenditures.
- The NSP consultant and inspector spend a lot of time together- communication is critical in finding properties, making a drive by, setting up appointments with the listing agents and making an early assessment of whether to make an offer.



City of Plantation NSP homes.

The City of Plantation

The City of Plantation, a HUD funded NSP community, received slightly more than \$2 million and chose to use the majority of their funds (\$1.3 million) to acquire and rehabilitate scattered site single family homes for resale to low and moderate income first time homebuyers.

The City has initially chosen to concentrate the majority of its NSP funding on the two single family residential neighborhoods that have been the most severely impacted by foreclosure. The purchase prices of homes in the target area range from \$100,000- \$200,000 and need an average of \$50,000 in renovation.

Recognizing the need to act quickly, the City issued a request for proposals (RFP) in February of 2009 seeking a non profit agency to administer the program. In the RFP, the City agreed to advance funds for both acquisition and rehabilitation to the selected non profit. This facilitated the buying process to allow the non profit to take title to the property subject to a 0% interest first lien by the City. In April 2009, the City selected BAND (Broward Alliance for Neighborhood Development) which is based in nearby Ft. Lauderdale. The City's Mayor, Rae Carole Armstrong said "We welcome the opportunity to work with BAND to address the City's foreclosure issues while assisting new residents of Plantation by providing rehabilitated homes at an affordable price. We plan to recycle the NSP funds as the homes are sold to continue this program well into the future."

BAND, a non-profit membership organization, is a collaborative comprised of non profits and other affordable housing stakeholders. BAND identified three member agencies to make up the development team and, according to their areas of expertise, entered into memoranda of understanding that distributed tasks as follows:

- Identify properties for homeownership
- Approve scope of work for rehabilitation
- Work with Realtor/broker to negotiate and execute sales contracts
- Assist with the identification of bank REO (Real Estate Owned) departments; utilize other sources of acquisition (Fannie Mae HomePath, National Community Stabilization Trust) and bulk purchase programs
- Identify closing agents as needed
- Price homes for resale
- Assist with marketing the program and the houses to potential buyers

Additionally, four other member organizations are engaged to provide housing counseling and homeowner preparation services. Fees associated with these services are paid for through the developer fee.

BAND uses several methods in the acquisition process to locate potential properties:

- Realtor - BAND selected a Realtor who monitors the Multiple Listing Service (MLS) looking for properties that fit the BAND criteria, arranges inspections and prepares offers.
- Drive by - the acquisition team drives through the targeted areas and researches the feasibility of



City of Plantation home under inspection.

homes that appear to be vacant or abandoned.

- BAND monitors the websites of Fannie Mae and Freddie Mae and other lender REO sites to identify properties before they are listed on the MLS.
- National Community Stabilization Trust (NCST) First Look Program.

Almost every day, BAND receives an email from the NCST. They have 24 hours to review the list, decide which property they want to see, notify the Trust, assemble the development team and visit the site. If they are interested in the property they notify NCST and request pricing. BAND has found that the majority of the time, the pricing is reasonable and all parties accept the initial offer. A pre-negotiated purchase agreement is provided by the selling lender which requires a \$1000 deposit. The closing is handled by a local title company acceptable to the Trust. The closing usually occurs within 30 days unless title issues surface and cause a delay.

BAND considers the following about each property:

- Evaluate amount of rehabilitation needed
- Look for illegal additions/property encroachments
- Check for Chinese drywall
- Check for lead based paint and excessive mold
- High Home Owner Association fees
- Age of home
- Unresolved title issues that remain post foreclosure
- Goal is to assemble a mix of housing sizes and styles and pricing which represent needs of potential buyers

“NSP has provided the opportunity for cities to address problem properties, correct code and zoning violations, improve curb appeal while at the same time providing decent, affordable housing for new buyers. BAND enjoys working with the City of Plantation to bring new homeowners to their community”

— Pat Stephenson, Executive Director, BAND.

Prior to closing, the contracted architect provides a scope of work for BAND’s review. BAND and the City of Plantation see NSP as an opportunity to improve the city’s housing stock, as well as to provide decent affordable housing for new homeowners. The first priority for all rehabs is to correct code violations and remove illegal additions or outbuildings. Special attention is paid to curb appeal and all homes are renovated using green building techniques and energy star appliances.

BAND recognized the inherent risk in owning properties that had been rehabilitated yet had no qualified buyers in the pipeline. Consequently BAND has begun conducting homebuyer events in the City of Plantation and throughout Broward County to identify and inform potential buyers. After attending the workshop, interested clients are provided with access to homebuyer education, budgeting and finance training and credit counseling. Once they are mortgage ready, clients are referred to prescreened lenders for prequalification.

Lessons learned

- Title issues are not always resolved during foreclosure, which causes fall out and closing delays.
- Competition on REOs is fierce, cash investors are plentiful and these buyers are stockpiling property (vacant or rented) in anticipation of future housing price increases.
- Banks are metering the amount of properties they put on the market to avoid flooding the market and causing price reductions.

Jacksonville

The centerpiece of the City of Jacksonville-Duval County Neighborhood Stabilization Program is a firm commitment to involve the private sector to the maximum extent possible.

With only two full time staff administering the \$26 million NSP 1 program, private partners are carrying out the bulk of the activities-12 local companies are providing support services, 15 developers acquire, rehab and resell or rent the foreclosed homes, and there are over 600 building contractors and subcontractors in the qualified pool to rehabilitate or demolish targeted properties. The focus to create jobs is making the NSP program successful in not only providing housing for lower income households, but stimulating the local economy.

Director Wight Greger reports that it took some time to develop these systems and to shorten the due diligence timeframe from 40 to 20 days, but now the work is proceeding efficiently with over 60 homes having been processed. Some of the surprises and insights shared with the Coalition:

- About a fourth of the homes inspected were rejected because rehab costs would be too high and affordability standards could not be met. Title issues and competition from investors have resulted in others being delayed or purchased by others.
- Sellers' have been reluctant to offer more time for closing, requiring a short ten days to close on purchase contracts. A contract with mortgage banking professional has led to more realistic timeframes as confidence has grown that the program can move effectively through a purchase.
- Lenders offering permanent financing for buyers at first had numerous obstacles but negotiations



Arbor Oaks NSP home in Jacksonville.

and agreements have allowed the developers to purchase the properties with NSP funds. There can be a variation between the timeframe a seller wants (fast- ten days) and the permanent lender requires (up to 60 days). By authorizing the developer partners to purchase the properties

in the interim, the closing can take place while the buyers get their permanent mortgages.

- Homebuyers are able to take their 8 hour training on a Saturday while at the same time their applications and qualifications are processed side by side at the event. This allows for one stop shopping to obtain HUD certified homeownership counseling and qualification. These activities are carried out by the City's partners.
- The program hired a GIS expert who maps liens on a daily basis and produces maps that allow the City to identify clusters and neighborhoods that can be targeted for stabilization. This has provided a glimpse into the future to allow for strategic purchases and neighborhood stabilization.
- Another contractor hired is a LEED certified specialist who is providing assistance with incorporating green and energy efficiency features into homes and is developing creative uses for deconstruction materials and recycling, all in support of the City's Green initiatives.
- Rental projects are on schedule but require a different set of tools in evaluating capital needs and future operating funding.
- Demolition has taken place and a large blighted foreclosed property is the subject of community support for demolition.

City of Port St. Lucie

The City of Port St. Lucie hopes to have 130 homes purchased and rehabilitated by September of 2010 using its NSP allocation of \$13.5 million. The centerpiece of their program was getting the various city departments coordinated and ready to work together. The information technology department set up a special computer network so that all Departments working on the program can access files and information on each property as it goes through the process. This took some time but was worth the effort. The City also received technical assistance from the Florida Housing Coalition in its early stages to set up a tracking system for the properties and funds.

In its operation of the program it has been noted that they have to look at ten properties for every one that is purchased. Competition with cash investors has lost many properties to the private sector which is a concern for neighborhood stabilization if these are not adequately rehabilitated before being rented. The City also needed to expand its target areas to take in a broader spectrum of affected areas and to increase the available choices for purchase.

The City is taking title to the properties and this is triggering a more extensive environmental review. They are dealing with vacancy and mold related problems. The City is also responsible for paying the utilities, lawn maintenance and liability insurance for these properties. The Community Services Department, with Tricia Swift Pollard coordinating, is seeking to purchase multiple properties on the same street so as to have more impact on stabilizing neighborhoods. This is beginning to make a difference visually in some areas. They are working with a core of 5-6 Realtors out of a 30 who signed on to assist. They have purchased 37 homes and obligated or committed close to \$4 million in NSP funds. Twenty homes are under rehab and ten have been demolished. According to Tricia Pollard, "I think this



Purchased for \$45,900 the home needs approximately \$17,000 in repairs and will be repaired. Some of the prior interior "improvements" such as the paint will be toned down during the repair/rehab process. This home (except for the colorful interior) is typical of the homes purchased early in the process, in Port St. Lucie.

program will make a difference in Port St. Lucie., We have seen a number of instances where the property we buy really improves the entire street. However, it is a challenge to purchase other abandoned properties on the same street because those homes are either not through the foreclosure process or are not yet for sale. With the short time frames for this program if the homes are not through foreclosure, we do not have the luxury of waiting for them to become available."

Polk County

Just as Polk County's building growth skyrocketed over the past five years, this very large central Florida county suffered from widespread foreclosures in both scattered site areas and entire subdivisions. Just last year over 9,000 homes were added to the foreclosure inventory. The City of Lakeland also experienced a high rate of foreclosures. Both Polk County (\$14.5 million) and the City of Lakeland (\$2 million) are recipients of HUD direct Neighborhood Stabilization Program funds. So far over 30 homes have been purchased.

Polk County's strategy for mobilizing NSP dollars is a deep commitment to having the private sector play a major role in the administration and implementation of the program. The County's role is confined to compliance and monitoring contracts while a procurement process led to the engagement of Swan Advisors to manage implementation of the program and the Keystone Challenge Fund to carry out the development

activities. Both are compensated a flat fee. The County engaged a private accounting firm to manage all disbursements and provided a \$4 million advance from general revenue funds to allow for rapid remittances. This greatly enhances the possibility for meeting tight closing deadlines and to have funds available for all due diligence activities. Over 140 local firms have been qualified to work within the program providing myriad services from locksmiths to building contractors.

According to Jeff Bagwell, executive director of Keystone Challenge, the Polk County partnership has a core philosophy of acting strategically to stabilize neighborhoods. With several very large target areas there is an emphasis on limiting the number of very low income units in a given area to buying units in bulk in subdivisions. Bruce Lyons, with Swan Advisors, cautions that the relatively low listing prices of the homes often results in the need for a very low subsidy for homebuyers but the program must be cognizant of the risks of homeownership for very low income buyers. This is the rationale for homeownership counseling. Bruce commented that rather than focus on sheer numbers production, the partnership is allowing economic impacts to accrue to those most affected- for example, if a locksmith is needed in Lake Wales, a qualified vendor from that community is called to do the work. This supports the neighborhood not only with the housing but with other services funded in that community.

Some of the lessons learned in Polk County are:

- It is important to closely analyze the market dynamics on a neighborhood basis- is the neighborhood suitable for homeownership or is it largely rental and needing additional planning activities; or are the homes to be purchased in a platted subdivision near the entrance which would be more marketable?
- The use of a nonprofit developer enables the homes to be purchased and rehabilitated under one title and then re-sold when the buyer is qualified and the home is completed.



So far Polk County has obligated \$2,576,818 dollars with the purchase of 28 homes, with 4 homes currently contract with offers pending.

- The partnership is working with the Neighborhood Stabilization Trust, a national agency that provides daily listings of available units held by certain banks- there are now 12 lenders who participate. The closing process is somewhat assisted with this process as a 24 hour first look is allowed so the properties can be checked for further investigation.
- Good public relations is helpful- the partnership has received positive media support from local newspapers and three television stations have covered the project.
- Working with Realtors has brought some surprises- while the Multiple Listing Service is essential, many real estate professionals are busy with investors and do not participate heavily in the program.
- Local vendors responded quickly and enthusiastically to the call for qualifications.
- This is a four year program and the partnership is attempting to move according to the benchmarks in funding obligations and market dynamics.



The nonprofit partnership program has 134 properties acquired or under contract for over \$10 million in NSP funds.



Pasco County

The Neighborhood Stabilization Program has hit the ground running in Pasco County. A \$19.4 million budget for this mid-state county that was severely hit by the foreclosure crisis means administrator George Romagnoli must structure the program to expend close to \$1 million per month on acquisition, rehabilitation, and demolition of foreclosed homes and apartments in order to meet the compressed time frame that defines the program. Pasco County received the 17th highest NSP award to any local government nationally. The county is also considered by some to be a leader both in the state and nation for spending its NSP money most quickly.

At press time, Pasco County NSP has expended or obligated over half of its NSP allocation on the acquisition, rehabilitation, and in some cases demolition of over 150 homes. The County is seeking to amend its substantial amendment to reduce the level of funding originally committed to purchase assistance as only five homes have been purchased to date under that strategy. It is noteworthy that in the initial stages of the program purchase assistance was promoted by the private sector as the only strategy needed.

The nonprofit partnership program has 134 properties acquired or under contract for over \$10 million in NSP funds. The County is also refining its procedures to make sure it complies with the Tenant Protection Act of February 17, 2009 which requires that all tenants in foreclosed homes have at least 90-120 days after the foreclosure to occupy the unit. Verifying this and ensuring that the law will be followed is absorbing staff time as they review court files to determine occupancy. The NSP plan may also be amended to allow the Habitat for Humanity affiliates to acquire and rehabilitate homes with volunteers and then hold their traditional zero percent interest mortgages for homebuyers.

Here are some highlights of the Pasco County NSP experience with some lessons learned along the way.

- Working with an experienced and qualified Realtor is the key to success. Homes are identified through daily Multiple Listing Services notifications or through lender based websites such as Fannie Mae's site, www.homepath.com. Gregg Schwartz, director of the Tampa Bay Community Development Corporation, one of eight nonprofit partners in the program, makes bi-weekly inspections of available homes accompanied by a Realtor. For homes they are interested in, the offers are phoned in from the

site. Offers are written and submitted by day's end. Even though bids may not be accepted due to competition from investors, they are left on the table as in this volatile market they are often accepted at a later date. As Gregg says, "the meter is running."

- Pasco County provides inspection, appraisal, rehabilitation write up and construction management services. This ensures that the funder has those HUD and CDBG requirements in compliance and location in a target area and allows the nonprofits to continue to work with their buyers.
- Time is of the essence. Sellers may allow only 7 days for due diligence. The only problem seen with this timeframe is for lead paint inspections on homes built prior to 1978.
- Timing for closing funds is also critical. The Pasco County Clerk of Court works closely with NSP by providing closing funds rapidly. When an executed contract for purchase is submitted to the county, a case is established and sent to the Finance Department. Upon submittal of a signed HUD settlement statement the amounts are confirmed and funds are wired to the title company within a day.
- Pasco County has 40 appraisers qualified for the program. They are paid a flat rate. The high number of appraisers available ensures that if one is busy, another can come back in several days with an appraisal. There have been times when the appraised value is well below the asking price.
- When the rehabilitation of homes is 95% complete, Tampa Bay CDC puts the property on its website and its buyers who have registered with the Homebuyers Club can make plans to visit and purchase a home they like. They are already completing their home-buyer counseling program.
- Most buyers are receiving FHA insured loans. Some community banks are also participating. Buyers with income below 50% of area median income,

qualify for a subsidy of up to 50% of the sales price. Lenders are requiring a minimum mortgage amount of \$40,000 which prevents over-subsidy based on income level.

- Pasco County plans to use NSP for rental housing as well and is working with a variety of agencies that provide supported living or related services. They are considering multi-family properties as well as single family homes that would be suitable for NSP funding.
- Pasco County has determined that given their market conditions, using Realtors to provide lists of available properties is the most expedient manner to implement the NSP process.
- Pasco County has also purchased "abandoned" properties through the short sale process. A determination from HUD allows this as the homes are in the foreclosure process and abandoned by definition. It is critical to ensure that other title issues are cleared up but this makes a greater inventory available to the program.

City of Tampa

The City of Tampa is making good progress with their NSP program with its allocation of \$13.6 million. The City has acquired ten properties in one target area with another 20 in due diligence. NSP coordinator Stuart Campbell was surprised that at least in this community's target areas, the cost of the properties is coming in less than expected and they will be able to purchase more than anticipated. The City has selected four supportive housing organizations for the acquisition and rehabilitation of units for clients of social services. Finding multi-family properties that are located in the NSP target areas has been a challenge. The City also has a homeownership purchase assistance program that will target four neighborhoods with direct assistance through local partnerships. There is a supplemental subsidy for the acquisition and rehabilitation of historic properties purchased in the historic preservation area.

As Owner Occupied residences are surrounded by a concentration of abandoned and blighted duplexes that negatively affect the character of the neighborhood, acquisition and demolition of such structures will allow the City to upgrade the neighborhood and provide future sites for single family home ownership to complement the existing neighborhood.



Note on Chinese Drywall

Some newly developed housing markets in Florida have a high incidence of toxic drywall products that emit a gas that rots all metallic elements including wiring, HVAC systems, plumbing and even mirror silver. The restoration of homes built with Chinese drywall is catastrophically expensive. Legislation may be presented this year in Florida that would empower FEMA to provide relief to homeowners whose insurance companies or builders are unable to rectify the problem.

City of Cape Coral

Recently dubbed the third highest percentage of foreclosures in the country by RealtyTrac with almost four percent of properties receiving a notice, the City has found that the purchase assistance program is leading the way thanks to Fannie Mae and HUD contracts that give homebuyers preference in the bidding process. The City has an NSP allocation of over \$7 million. The acquisition-rehab strategy is encountering a high number of homes with Chinese drywall which is an unpleasant finding after scheduling the inspection and getting the results back. One out of seven homes has this problem and it can only be discovered after investing in the due diligence process. The City has decided to avoid these units altogether. At press time, 17 homes are under contract or have been purchased.

The foreclosure market in Cape Coral is extremely competitive and the City is frequently outbid during their due diligence process. For this reason First Look programs are the preferred means to gain access to acquiring these homes. According to NSP coordinator Amy Yearsley, this has become essential as the market is experiencing homes selling for \$20,000 to \$50,000 over the sellers listing

price. Initially the City had structured its program to allow for the City's real estate and legal department to negotiate purchase contracts and then assign them at closing to their nonprofit partner, the Cape Coral Housing Development Corporation. This has not worked out as the sellers are not permitting the assignments. The Cape Coral HDC is maintaining a sufficient buyer pool with 120 prospective homebuyers on a waiting list.

Collier County has developed an in-house NSP strategy where the County takes title to the properties and conducts the rehabilitation. The homes are then set for disposition through private channels. So far 469 properties have been evaluated with 249 inspections made. There are 39 homes now either closed or under contract. Collier County learned early on that competing with investors for the move-in ready homes was not fruitful. They have purchased homes needing more rehab and have completed 14 of the homes. The County has obligated over half of its NSP allocation of \$7 million. Now as they turn to the sale of homes, there are 28 buyers qualified out of 65 applications taken. According to Marcie Krumbine, NSP manager, the County feels confident in obligating the balance of the NSP allocation.

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