

OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT  
POLICY GUIDELINES FOR NEIGHBORHOOD STABILIZATION  
PROGRAM - OWNERSHIP

**I. Program Description**

The “Neighborhood Stabilization Program” (NSP) is designed to improve neighborhoods by reducing the number of abandoned and foreclosed homes. The Office of Housing and Community Development will identify and Non-Profit Developers will take title to the NSP Homes. The Non-Profit Developers will rehabilitate the NSP Homes or demolish and reconstruct a new NSP Home on the site and sell them to Eligible Families.

**II. Definitions**

“Broker” means an individual who possesses a real estate broker’s license and has been hired by or contracted by the Office of Housing and Community Development to identify the homes that will be purchased with Neighborhood Stabilization Program funds.

“CDBG” means the Community Development Block Grant

“City” means the City of Sarasota

“City / County Management Team” means the individuals designated by the City Manager and County Administrator to supervise the Director of the Office of Housing and Community Development as provided in the Interlocal Agreement for the Cooperative Administration of Housing and Community Development Programs or succeeding document.

“Construction” means the construction of a new home or the rehabilitation of an existing home.

“County” means Sarasota County

“Developer’s Fee” means the payment to the Non-Profit Developer as defined in Section VI of these guidelines.

“Director” means the individual designated as the Director of the Office of Housing and Community Development as provided in the Interlocal Agreement for the Cooperative Administration of Housing and Community Development Programs or succeeding document.

“Eligible Family” means a family who is eligible to participate in the Neighborhood Stabilization Program as defined in Section X of these guidelines.

“Eligible Neighborhood” means an area where Neighborhood Stabilization Grant funds may be used to purchase homes as identified in the Neighborhood Stabilization Grant application that was approved by the Department of Housing and Urban Development.

“Low Income Eligible Family” – means a family with an income less than 50% of the Area Median Income as determined by HUD and who is eligible to participate in the Neighborhood Stabilization Program as defined in Section X of these guidelines.

“Non – Profit Developers” means a non-profit entity that has been approved to participate in the Neighborhood Stabilization Program as designated in Section V of these guidelines.

“NSP” means the Neighborhood Stabilization Program, including Neighborhood Stabilization Program 1, Neighborhood Stabilization Program 2 and Neighborhood Stabilization Program 3.

“NSP Home” means an abandoned or foreclosed home, condominium or townhome purchased with Neighborhood Stabilization Program funds.

“OHCD” means the Sarasota Office of Housing and Community Development.

“Seller” means the current owner of an abandoned or foreclosed property being acquired as an NSP Home.

“Subrecipient” means a public nonprofit developer as defined by HUD.

“Subsidy” means the amount of NSP funds that are used to make the NSP Home affordable to an Eligible Family. Subsidy may include the Down Payment Assistance, Closing Costs or any grant funds provided to the Community Housing Trust of Sarasota County.

### **III. Eligible Uses of NSP Funds**

NSP Funds may be used for the following eligible uses:

1. Acquisition of foreclosed or abandoned homes.
2. Construction and rehabilitation costs including the installation of energy conservation improvements.
3. The cost to demolish blighted homes acquired with NSP funds.
4. Developer’s Fees.

5. Soft costs, such as appraisals, surveys and all other due diligence investigations.
6. Closing costs associated with the sale.
7. Other eligible uses as approved by the Director.

All NSP funds must be spent in compliance with NSP and CDBG rules and regulations.

#### **IV. Maximum Investment Per Unit**

The maximum amount of NSP funds that may be spent on any one NSP Home is \$185,000 plus the developer fee as described in Section VI and the additional cost of energy efficient improvements or green building materials that are exceed the Sarasota Rehabilitation Standards.

#### **V. Non-Profit Developers**

The Director is authorized to designate a non-profit agency as a Non-Profit Developer if it meets the following conditions:

1. It is organized under state or local law;
2. It has no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;
3. It is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization;
4. It must be free to contract for goods and services from vendors of its own choosing;
5. It must have a tax-exempt ruling from the Internal Revenue Service under Section 501(c) (3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)(1)), for at least one year;
6. It must have standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems;"
7. It has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;
8. It must have a "Certificate of Good Standing" from the Florida Division of Corporations;
9. It must have demonstrated capacity for carrying out activities assisted with NSP funds. An organization may satisfy this requirement by either having successfully completed similar projects, or by hiring key staff members who have successfully completed similar projects;

The Non-Profit Developer will be required to perform the following services:

1. Obtaining title to the NSP Home by either:

- a. Purchasing the home directly from a Seller;
  - b. Accepting the assignment of a purchase contract from the City or County; or
  - c. Purchasing a home from the City or County.
2. If the NSP Home is to be rehabilitated, in coordination with OHCD, determining the repairs that will be needed on the NSP Home.
  3. If the NSP Home is to be demolished and a new home constructed on the site, designing the replacement NSP home.
  4. Selecting and managing the construction contractor. The Non-Profit Developer must make sure that the contractor costs are reasonable and in compliance with federal law. The Non-Profit Developer will be expected to conduct regular inspections during the construction to insure that any repairs meet the Sarasota rehabilitation standards and are made and provide quality control.
  5. Receiving invoices from the contractor, making sure that all requested payments are for completed work and submitting payment requests to OHCD.
  6. Keeping the lot mowed and the exterior landscaping maintained.
  7. Paying the costs on the NSP Home while the Non-Profit Developer owns the property including the cost of the utilities, and insurance.
  8. Identifying the Eligible Family that will purchase the NSP Home and verifying that they meet the income and other eligibility requirements of the NSP program.
  9. Working with the Eligible Families to resolve any credit issues and making sure that they qualify for a first mortgage on the NSP Home.
  10. Arranging for and coordinating the sale of the NSP Home.

The Non-Profit Developer will be required to maintain detailed financial and program records related to the Acquisition, construction and Sale of the NSP Property to both insure that the City and County are in compliance with all CDBG and NSP rules and regulations and to allow the OHCD to evaluate both the performance of the Non-Profit Developer and the NSP Program.

## **VI. Developer's Fee**

1. In recognition that the Non-Profit Developer will incur expenses for the services contained in Section V, the successful Non-Profit Developer will be paid a Developer's Fee. The Developer's Fee for each NSP Home will be \$15,000. The Developer's Fee will be distributed as follows:
  - a. Amount paid at closing when the Non-Profit Developer obtains title to the NSP Home – \$5,000
  - b. Amount paid when the NSP Home is sold to and when title transfers to an Eligible Family –\$10,000

2. In recognition that Habitat for Humanity constructs and rehabilitates homes using volunteers and their staff serves as the general contractor, the Developer's Fee for each NSP Home will be \$22,300. The Developer's fee will be distributed as follows:
  - a. Amount paid at closing when the Non-Profit Developer obtains title to the NSP Home – \$5,000
  - b. Amount paid when the NSP Home is sold to and when title transfers to an Eligible Family –\$17,300
3. Any Realtor's fee paid by the Non-Profit Developer on the sale of the NSP Home must be paid from the Developer's Fee. The Non-Profit Developer has the option to accept or decline the Developer's Fee.

## **VII. Acquisition of NSP Homes**

OHCD will use a Broker to identify the homes that will be purchased with NSP funds. All NSP Homes must be located in an Eligible Neighborhood and will be selected based upon the following principles:

1. The proximity to employment opportunities.
2. The proximity to public transportation.
3. The proximity to needed commercial centers.
4. The housing cost to the end user – including whether the unit has access to public water and sewer
5. The discount from market value offered by the Seller

The Broker will work with the Non Profit Developers to identify the NSP Homes that will be purchased and will either prepare a contract to purchase the NSP Homes with the intent of assigning the contract to the Non-Profit Developer, purchasing the home and transferring title to the Non-Profit Developer or having the Non-Profit Developer directly take title to the home. The Director is authorized to execute any contracts necessary to purchase the NSP Homes and any assignment of the contract or documents necessary to transfer of the title (specifically including a deed) to the NSP Home to the Non-Profit Developer.

OHCD must have a current appraisal (not less than 60 days old) before making a final offer to purchase a NSP Home. The amount paid for each NSP Home must be at a discount consistent with federal law. The property acquisition must be made in conformance with federal law and OHCD must disclose the appraisal amount, the amount of the offer and inform the seller that if purchasing agency is unable to agree on a purchase price that the City or County will not attempt to acquire the property through the use of eminent domain.

NSP Homes more than 50 years old must be evaluated to determine if they are eligible to be placed on the Federal Historic Register. NSP Homes built before 1978 must be analyzed to determine what actions may be necessary to comply with the federal lead based paint regulations.

The Seller of each NSP home must certify that they complied with the Tenant Protection Provisions applicable to the NSP program.

No NSP Home may be purchased from the person or entity that will develop the property or any person or entity related thereto.

### **VIII. Acquisition by Non-Profit Developers**

The Non-Profit Developer will take title to the NSP Home using NSP grant funds for the amount negotiated by the Broker.

The Non-Profit Developer must demonstrate that it has the capability to purchase, rehabilitate and sell the NSP Home. Prior to taking title to any NSP Home, the Non-Profit Developer must submit to the Director the following information:

1. A marketing plan describing how the NSP Home will be sold.
2. A project schedule showing that the NSP Homes will be rehabilitated and sold within 6 months or that the NSP Home will be demolished and a new NSP home constructed on the site within 12 months.
3. A detailed budget for the project that includes all anticipated costs of the project including the acquisition, construction and closing costs.

The Non-Profit Developer will obtain title to the NSP Home and execute a Promissory Note and Mortgage for the amount of the purchase price, closing costs, estimated construction costs, the Developer's Fee and an amount established by the Director for any contingency that may occur during the project.

All funds loaned to the Non-Profit Developer will be in the form of a deferred payment loan at a zero percent interest rate that must be repaid in 12 months, as described above, or when the NSP Home is sold and title is transferred to an Eligible Family, whichever is earlier. The Director may extend the term of the loan.

### **IX. Construction Management**

The Non-Profit Developer will be responsible for the award and administration of the construction contract.

The Non-Profit Developer shall take all necessary affirmative steps to assure that small firms, minority owned firms, women owned firms, and labor surplus area firms are used when possible.

Affirmative steps shall include:

1. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business, and women's business enterprises;
5. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and
6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

In conformance with the requirements of Section 3 of the Housing and Community Development Act of 1968, to the greatest extent feasible, Non Profit Developers must award contracts for work to be performed to eligible business concerns located in or owned by residents of the NSP target area to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low income persons, particularly those who are recipients of governmental assistance for housing.

The Non-Profit Developer will select the contractor that will perform the work. Prior to entering into contract with the selected contractor, the Non-Profit Developer must submit the name of the contractor and any other information needed by OHCD to determine if the contractor has been barred from participating in any federal program. The Non-Profit Developer must demonstrate that the amount being paid to the selected contractor is reasonable.

The Non-profit Developer will execute all construction contracts and sign a Notice of Commencement for the NSP Home. All requests for payment from the contractor must be initially submitted to the Non-Profit Developer for payment. The Non-Profit Developer will inspect the construction work, make decisions on the quality of work and recommend the approval of all construction payments. OHCD will also inspect the property and approve all payments. If OHCD does not authorize a payment, it will notify the

Non-Profit Developer. Partial payments for completed work shall have a 10% construction holdback. Prior to making any final payments, lien releases must be received from the contractor, all subcontractors and any business that has provided materials and who has filed a Notice to Owner and all building permits must have been closed out by the local jurisdiction.

## **X. Eligible Families**

The Non-Profit Developer will take applications from households that want to be designated as an Eligible Family. The Non-Profit Developer will verify the income and assets of the household as well as any other information necessary to determine if the household is qualified to be an Eligible Family and submit that information to OHCD. The final determination of whether a household is an Eligible Family will be made by OHCD.

To be an Eligible Family a household must meet the following requirements:

1. Each member of the household must be a U.S. Citizen or permanent resident alien.
2. The household must have an income at or below 100% of the County Median Income, as adjusted by family size as determined by the regulations governing the CDBG program.
3. The household must have qualified for a first mortgage loan from a mortgage lender to purchase the NSP Home.
4. The head of household must have attended and completed an 8 hour qualified community homebuyer education class presented by a HUD approved counseling service.
5. The household must begin living in the NSP home within 30 days after closing.

The Non-Profit Developer will select the Eligible Family that will purchase the NSP Home using its written criteria provided it is consistent with the NSP regulations.

## **XI. Purchase of NSP Homes by Eligible Families**

All properties must be sold to an Eligible Family for an amount equal to or less than the cost to acquire and any construction costs on the NSP Home. The actual sales price for any NSP Property will be the lesser of the aggregate of all costs of acquisition, construction and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of the property) and the appraised value after construction is completed.

## **XII. Long Term Affordability**

All NSP Homes receiving assistance under this program must ensure long term affordability by using one of the following recapture or resale mechanisms:

### **1. Shared Appreciation Mortgage**

The program assistance for families using this option will be in the form of a Shared Appreciation Mortgage Loan (SAM) that will be in the second position. The SAM may be a third mortgage if the family is receiving other down payment assistance from the State of Florida or the Department of Housing and Urban Development with program rules requiring that it be placed in the second position. Repayments will be deferred until the NSP Home is sold, transferred, no longer occupied as the primary residence of the applicant or on the 30<sup>th</sup> anniversary of the execution of the note and mortgage, whichever occurs first.

At the time the applicant sells, transfers, no longer lives in the NSP Home, or on the 30<sup>th</sup> anniversary of the execution of the note and the mortgage, the applicant must repay the original loan amount and, in addition, a share of appreciation in the value of the property, if any.

#### **a. Definitions**

- i. Approved Final Value** – The value of the NSP Home that will be used by OHCD to establish the Net Appreciation. The Approved Final Value will be:
  - The contract sales price provided it is no less than 90% of the appraised value as provided by an independent appraiser. OHCD reserves the right to hire its own independent appraiser, at its cost, in the event it deems that the appraisal furnished by the Eligible Family does not accurately reflect the market price.
  - The appraised price when the contract sales price is less than 90% of the independent appraisal or when the family is not selling the property.
- ii. Eligible Improvements** – Capital Improvements in excess of \$3,000.00 that increase the value of the home. Eligible Improvements will not include maintenance items. All Eligible Improvements must be approved by OHCD in advance of construction. The Director is authorized to establish

the capital items that qualify as an Eligible Improvement as well as how the value of the Eligible Improvements will be established.

- iii. Net Appreciation – When the NSP Home is being sold, the Net Appreciation will be the difference between the Approved Final Value and the sum of:
- The original purchase price
  - The Eligible Improvements
  - 10% of the Approved Final Value

When the NSP Home is not being sold, the Net Appreciation will be the difference between the Approved Final Value and the sum of:

- The original sales price
- The Eligible Improvements
- 5% of the Approved Final Value

b. SAM Repayment

The SAM repayment will be the original loan amount plus a portion of the Net Appreciation. For the first 4 years, the amount of appreciation that must be repaid will be the greater of:

- Year 1 – 80% of the Net Appreciation
- Year 2 – 60% of the Net Appreciation
- Year 3 – 40% of the Net Appreciation
- Year 4 – 20% of the Net Appreciation

Or the percentage of the original purchase price provided by the NSP Subsidy. In the event there is no Net Appreciation or Net Appreciation is a negative number, the amount of the original loan will still be due and payable.

Beginning in year five, the amount of Net Appreciation repaid will be the percentage of the original purchase price provided by the NSP Subsidy. Additionally, the original loan amount must be repaid. In the event there is no Net Appreciation or Net Appreciation is a negative number, the amount of the original loan will still be due and payable.

For example, if the NSP Subsidy represented 25% of the original purchase price, the share of Net Appreciation due is 25%.

## 2. Land Trust

Eligible Families receiving assistance under this option must offer the underlying land to the Community Housing Trust of Sarasota County, Inc. (CHT). If the CHT accepts the property, the subsidy will not be repaid but will remain with the property to make it affordable to future low-income buyers for a minimum of 99 years. At the end of 99 years, the CHT must continue to use the property to assist families with incomes no greater than 100% of the county median income. In extraordinary situations, the Office of Housing and Community Development or its successor may provide any additional subsidy necessary to require the home to be sold to a family with an income no greater than 80% of the county median income, at its sole option.

The CHT may not dispose of the property for the first 20 years. If, after 20 years the CHT disposes of the property, the total amount of the subsidy must be repaid (plus 3% annual interest) or, at the option of the CHT, the total sale proceeds may be used to purchase other housing for continued occupancy by families with incomes no greater than 100% of the median income. Deed restrictions enforcing these requirements must be recorded on the property.

3. All Eligible Families must contribute a minimum of \$2,000 toward the purchase of the NSP Home and / or closing costs. The Eligible Family may provide up to 25% of the contribution in the form of sweat equity.
4. All Eligible Families will be required to spend a minimum of 20% of their total monthly income and no more than 32% of the total monthly income for their mortgage, taxes and insurances. Eligible Families paying less than 20% or more than 32% of their total monthly income for housing, must have the amount of their Subsidy adjusted to enable them to pay within this approved range.
5. Because the NSP rules require that the sales price be no more than the cost to acquire and rehabilitate the home, there may be situations where the only assistance necessary to allow an Eligible Family to purchase an NSP home is a purchase discount for downpayment assistance and closing costs. In these situations, the Eligible Family may not be required to pay 20% of their total monthly income for housing.

## **XII. Special Financing**

- A. The NSP program requires that 25% of all program funds benefit Low Income Eligible Families. To help meet this requirement Non-Profit Developers are allowed to make 0% interest rate loans to

Low Income Eligible Families. The maximum term will be 30 years and the Non-Profit Developer must service the loans. The Non-Profit Developer must remit all loan payments (not including escrow amounts) at least monthly to the City or the County. The Non-Profit Developer may deduct \$15 a month from the amount paid to the County for servicing the loan. The Low Income Eligible Family must execute a promissory note and first mortgage that is held by the Non-Profit Developer to ensure that the NSP funds are repaid by the Low Income Eligible Family.

- B.** The Habitat for Humanity organizations operating in Sarasota County will be allowed to make 0% interest rate loans to Eligible Families with income up to 80% of the County Median Income. The maximum term will be 30 years and Habitat for Humanity must service the loans. Habitat for Humanity must remit all loan payments (not including escrow amounts) at least monthly to the City or the County. Habitat for Humanity may deduct \$15 a month from the amount paid to the County for servicing the loan. The Eligible Family must execute a promissory note and first mortgage that is held by Habitat for Humanity to ensure that the NSP funds are repaid by the Eligible Family.

### **XIII. Annual Monitoring**

OHCD must monitor each NSP home annually to determine if the home continues to have a homestead exemption and if the property tax bill is being mailed to the home or another address. OHCD staff will use the property appraiser website to monitor these items. A report showing that the monitoring was completed and a report of the results must be given to the City / County Management team no later than June 30 of each year. Properties that are no longer owner occupied will foreclosed by the City or County.

The Community Housing Trust must provide assurance no later than June 30 of each year that the properties held in the Community Land Trust are owner occupied and that the improvements have not been conveyed to any family without the prior approval of OHCD. If the property is no longer owner occupied, the Community Housing Trust must promptly correct the default or repay the entire amount of assistance, plus interest as provided in the signed agreement on the property.

### **XIV. Authorization to Foreclose**

If a NSP loan held by the City as a result of previously approved guidelines becomes 60 days delinquent, the City Attorney will be notified of the delinquency and send the eligible family a "Bring Current Letter" sent by Certified Mail giving the family 30 days to resolve the delinquency. If at the end of 30 day period, the loan remains delinquent the City

Attorney will institute foreclosure proceedings. Nothing in this section will prevent OHCD and the family from developing a plan to modify the loan to prevent foreclosure. All loan modifications and / or delay in beginning foreclosure must be approved by the City / County Management Team.

If a NSP loan held by the County as a result of previously approved guidelines becomes 60 days delinquent, the County Attorney will be notified of the delinquency and send the eligible family a "Bring Current Letter" sent by Certified Mail giving the family 30 days to resolve the delinquency. If at the end of 30 day period, the loan remains delinquent the County Attorney will institute foreclosure proceedings. Nothing in this section will prevent OHCD and the family from developing a plan to modify the loan to prevent foreclosure. All loan modifications and / or delay in beginning foreclosure must be approved by the City / County Management Team.

#### **XV. Appeal Process**

A Non-Profit Developer or an Eligible Family may appeal a decision of the Director regarding the interpretation of these guidelines to the City / County Management Team. The formal appeal must be submitted in writing and received no later than 30 days after the decision. The formal appeal must contain the following information:

1. The name, address, and telephone number of the person and agency requesting the appeal.
2. A detailed statement of the alleged factual or legal errors made by the Director.
3. The form of relief requested.

**The decision of the City / County Management Team is final and may not be further appealed.**

#### **XVI. Reduction or Termination of Awards**

In the event the Non-Profit Developer is unable to meet the timeline for the use of NSP funds as out lined in its project schedule in Section VIII or is unable to use the funds for eligible activities, the Director may terminate any unused funding to the Non-Profit Developer and take action to recover any NSP funds that may have been previously disbursed to the Non-Profit Developer. Prior to taking this action, written notice must be provided to the Non-Profit Developer and the Non-Profit Developer must be given a period of time to correct the problem. In addition, the Director must attempt to meet with the head of the Non-Profit Developer and offer technical assistance to assist the Non-Profit Developer to meet the requirements of the program.

## **XVII. Administration of the Program**

The Director will administer the Program consistent with these policies. In the event an affected party believes that the Director or OHCD is not interpreting these policies correctly, the affected party must request a meeting with the Director to discuss and seek resolution of the conflict.

If, following a meeting with the Director, the issue remains unresolved; the affected party will have the ability to appeal the Director's decision as provided in Section XIV.

## **XVIII. Conflicts with Federal Law**

In the event these policies are found to conflict with Federal law or the rules of the Department of Housing and Urban Development (HUD), now or in the future, the Federal law or rules of HUD will take precedence. The Director is delegated to amend these policies to the extent necessary to make these policies consistent with federal law or the rules of HUD. Within five working days of making any changes to these policies, the Director must notify the City / County Management team with a description of the changes made to these policies and the reason for any changes.