

THE CITY OF PONTIAC
NEIGHBORHOOD STABILIZATION
PROGRAM SUBSTANTIAL AMENDMENT TO
THE 2005-2009 CONSOLIDATED PLAN AND
FISCAL YEAR 2008 ANNUAL PLAN

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EXECUTIVE SUMMARY:

The Neighborhood Stabilization Program (NSP) was created under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA), for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the emergency assistance for redevelopment of abandoned and foreclosed homes. HERA appropriates \$3.92 billion for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties, and provides under a rule of construction that, unless HERA states otherwise, the grants are to be considered Community Development Block Grant (CDBG) funds. Exceptions are described in the Department of Housing and Urban Development Docket No. FR5255-N-01, statutory and regulatory provisions governing the CDBG program, including those at 24 CFR 570 Subpart I for States, for CDBG entitlement communities, including those at 24 CFR Part 570 Subparts A, C, D, J, K, and O as appropriate, shall apply to use of these funds.

HUD is treating a grantee's use of its NSP grant to be in substantial amendment to its current approved consolidated plan and annual action plan. There are certain terms that are used in HERA that are not used in the regular CDBG program, or the terms are used differently in HERA and the Housing and Community Development Act.

The following terms are defined as such under HERA:

Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

Current Market Appraised Value. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in the conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

Foreclosed. A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding to transfer in lieu of foreclosure, in accordance with state or local law.

Revenue for the purposes of Section 2301 (d)(4). Revenue has the same meaning as program income, as defined at 24 CFR 570.500(a) with the modifications in this notice.

To receive NSP funding, each CDBG grantee must submit an action plan substantial amendment to HUD in accordance with the notice by December 1, 2008. The NSP funds are being treated as a “special allocation” of fiscal year 2008 CDBG funding. Each grantee must use its NSP funds within 18 months of receipt. Each grantee must publish the proposed amendment on the Internet for no less than 15 days of public comment. The final action plan amendment must be submitted to HUD by December 1, 2008. The earliest that funds would be available to the City to expend would be approximately February 15, 2009.

Due to the large number of foreclosures in the City and other influencing economic issues, the City is considering several activities under the Neighborhood Stabilization program. The program activities will fall inside the goals as defined by the City’s Consolidated Plan 2005-2009. The Five Year Strategy was developed from the information gathered from the public forums, 2000 Census information, data provided by HUD and information from service provider organizations. The City identified the following five goals:

Increase and Improve Homeownership Opportunities: Including education for first-time homebuyers, credit counseling, information for protection against predatory lenders, credit repair for first time homebuyers, construction of new affordable housing, new infill housing in older neighborhoods, downpayment assistance for first-time homebuyers, acquisition of deteriorated, vacant housing for rehabilitation and resale

Remove Barriers to Affordable Housing: Including downpayment assistance, increase supply of decent, safe and affordable rental housing, provide foreclosure prevention activities, reduction of lead-based paint hazards in the existing housing stock, provide permanent housing opportunities for persons moving out of transitional housing, and

increase energy efficiency of existing housing and new construction

Create Suitable Living Environments: Including improve quality of life in our neighborhoods, reduce crime, increase public safety including fire and police protection, increase recreational opportunities for residents, reduce blight in our neighborhoods, eliminate abandoned homes unfit for rehabilitation, increased code enforcement activity, improve deteriorated infrastructure in our neighborhoods, promote neighborhood stability, increase homeownership, help existing homeowners stay in their homes, and encourage income diversity in our neighborhoods

Assist in the Plan to End Homelessness: Including continued participation in the Oakland County Taskforce on Homelessness, encourage collaboration between service providers, and participate in the SuperNOFA for Targeted Homeless Assistance funds to address homeless persons and provide permanent housing opportunities.

Empowerment and self-sufficiency for low-income persons to reduce generational poverty: Including provide appropriate and structured activities for youth, increase educational opportunities for youth, improve family literacy and self-sufficiency, provide services to seniors living in poverty in our community, and provide services to persons living in poverty to assist them in moving out of poverty.

For the FY2008 Annual Plan, the City identified the need to continue the demolition of blighting properties in our communities and funded this activity with CDBG funding. The City also identified its continued partnership with Habitat for Humanity on the construction of new single family housing for income-eligible, first time homebuyer households. The Annual Plan also identified the City's commitment to the greening of our community by supporting the development of energy efficient, LEED Certified affordable housing in our community to further the affordability and sustainability of our housing stock. The Annual Plan also identified the purchase of \$1 HUD homes for the purpose of rehabilitation and resale to income-eligible homebuyers. The additional NSP program dollars will allow the City to expand on each of these projects and target the large number of vacant, foreclosed upon homes in our communities.

The City is proposing to address the issue of vacant, blighting foreclosed upon properties in the City of Pontiac with the following activities:

1. Demolition of blighting vacant foreclosed upon homes:

The City will target approximately 50 blighting vacant foreclosed upon structures. The properties must be designated and documented as blighting through the City's Substandard process. The properties must be bank owned properties at the time of demolition. Priority will be given to those properties that are located within the seven designated Target Areas of the Cities of Promise. For those properties that are located in these designated Target Areas, the City will be able to qualify for \$5,000 in matching funds from the Cities of Promise Blight Elimination Grant to complete additional demolitions.

2. Redevelopment of Abandoned or Vacant Property

Habitat for Humanity will construct 15 LEED Certified Single Family homes to be sold to first time homebuyers at 50% or below of Area Median Income. The City will provide a developer and subsidy of \$50,000 for each home to buy down the principal mortgage and cover the cost of Platinum LEED Certification upgrades and third party verification. Habitat will construct ten single family homes in Cities of Promise Target Areas 2 and 5. In a second phase, Habitat will construct five homes in the Cities of Promise Target Area 6 (Signature Project Area) as part of concentrated effort to revitalize the Southwest Quadrant of the City.

The City will partner with a for-profit developer to include five rental units assisted with NSP funds targeted at persons at 50% or below of Area Median Income. This proposed use of funds is still under discussion at the national level in HUD's office because the funds are being co-mingled with other funding sources including Low Income Housing Tax Credits and HOME funds. This activity will only be carried out if clarification is received from that the pro rating of NSP through a larger mixed funding activity is eligible under the NSP program.

3. Acquisition/Rehab and Resale for Owner Housing:

The City will purchase vacant, foreclosed upon bank-owned properties at a discount (5 to 15%) of appraised value (required by regulations). The City will complete a team inspection and energy audit on each home and make necessary repairs to bring up to code and improve energy efficiency. The homes will then be made available for sale to income eligible households up to 120% of Area Median Income for the amount of NSP assistance invested in the home (required by regulations). A lien will be placed on the home for the difference between the sales price and the after rehab appraised value to protect the affordability of the unit for a period of 15 years (HOME Final Rule standards). At the end of the affordability period, the lien will be released by the City. If the home is sold prior to the end of the affordability period, a prorated amount must be repaid to the City. If the repayment occurs on or after July 30, 2013, the funds must be repaid to the US Treasury.

The City will purchase vacant, foreclosed upon bank-owned properties at a discount (5 to 15%) of appraised value (required by regulations). The City will complete a team inspection and energy audit on each home and make necessary repairs to bring up to current code and energy efficient standards. Upon completion of the repairs and issuance of Certificate of Compliance, the properties will be transferred to nonprofit ownership which will rent out and manage the properties. The City will lien the properties for the after rehab appraised value and to ensure a 20 year affordability period. The City will work with each nonprofit and if there are changes to housing market, the homes may be transferred to a lease-purchase program to allow them to be purchased by income-eligible buyers in the future.

4. Downpayment and Rehab Assistance:

The City will provide up to \$20,000 in downpayment assistance to eligible homebuyers up to 120% of Area Median Income. Potential homebuyers will find a home to purchase. The home must be foreclosed upon, bank owned and vacant. The City will complete an

appraisal (required), a team inspection and energy audit on the home. The funds can be used for any combination of downpayment (mortgage buy down), reasonable closing costs and rehabilitation costs. Assistance will be provided in the form of a soft second, deferred loan in the amount of NSP assistance. The loan will be a no interest deferred loan payable at the time that the home is sold or title is transferred.

Program Parameters

Homebuyer Eligibility: The homebuyer must meet the targeted income limits for their household size and the targeted housing unit. Homebuyers do not need to be first time homebuyers but cannot currently own a home or have owned a home in the previous twelve months at the time of application to the City. Priority will be given to first time homebuyers in the case that more than one household is interested in purchasing a particular home. For the purchase of a new Habitat built home, the homebuyer must meet their program requirements which includes that they be first time homebuyers and have incomes at 50% or below of Area Median Income. They must also meet Habitat's sweat equity requirements. All homebuyers must be credit worthy enough to obtain a conventional, fixed rate mortgage, 20 to 30 years, from a conventional lender. No sub prime, high cost, adjustable rate mortgages will be allowed. All program participants must complete eight (8) hours of homebuyer counseling prior to closing on the purchase of their home.

Demolition: Demolition cannot be eligible under the elimination of spot slum and blight national objective for the Neighborhood Stabilization Program. Demolition is only eligible under Low-Mod-Middle Income (LMMI) Area Benefit. In the City of Pontiac, all Census Tracts and Block Groups with the exception of three areas qualify under Area Benefit. Census Tract 1419 which includes the Stonegate development is not eligible and two block groups under Census Tract 1426 are not eligible. These are Block Groups 2 (western portion of Seminole Hills - Ottawa to Chippewa) and 4 (Ottawa Hills which includes Voorheis, Wenonah to the north, Hazel to the South and the northern portion of Pioneer Highlands). Demolition can occur in any area of the City with the exception of these defined areas. Priority will be given to Cities of Promise Target Areas. All properties must be designated as blighted per grantee definition and be a bank owned foreclosure.

Overall the proposed activities would assist a minimum of 69 households with new housing opportunities. This includes both rental and homeownership opportunities. The program will focus on bringing these housing units up to current building codes and to Energy Star standards to promote long term affordability and sustainability to help stabilize our neighborhoods. Any program income generated by homeowner activities will be reinvested back to the same activity generating the program income allowing the City to complete homeownership units. Program income may generate an additional 16 units of homeownership on the first generation of these funds. The program will also allow the demolition of an additional 50 substandard, blighting, vacant, bank owned properties in our communities with the added possibility of matching funds from the Cities of Promise Blight Elimination Grant which could address another 15 properties for demolition.

A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult [this data](#), in developing this section of the Substantial Amendment.

Response:

Based on the 2000 Census Data, the City of Pontiac has over 63% households which qualify under 80% or below of Area Median Income. The City has consistently had a much higher rate of unemployment than surrounding communities and a lower housing value. In 2000, the median household income in Pontiac was \$31,207 while the State of Michigan's per capita income was \$44,467 and Oakland County's was \$61,907. At \$15,842, the per capita income is 48% of the per capita income of Oakland County.

Using data from the Mortgage Bankers Association National Delinquency Survey as of June 2008, HUD has calculated the approximate number of foreclosure starts for all of 2007 and the first six months of 2008. In Pontiac, this number is estimated at 1,616 giving Pontiac a foreclosure rate of 12.6%. This rate is third in Michigan only behind Detroit and Flint. In reviewing the foreclosure and abandonment risk score, of which 1 is the lowest and 10 is the highest, there are six Block Groups in the City that have a risk score of 9. These are clustered on the north side of the City in Census Tracts 1410, 1411 and 1412 and one other Census Tract 1419 which is located on the west side of the City. The remaining 63 Block Groups in the City have a risk score of 10, the highest and these cover the entire community. In addition, over 50% of persons who have a mortgage have what is considered to be a high cost, high risk sub prime mortgage. This represents over 3,200 potential foreclosures due to the nature of these mortgages. In addition, there are over 2,100 vacant housing units currently in the City and these are also located throughout the City.

The City has identified two targeted neighborhoods through the efforts of our two locally designated Community Housing Development Organizations – Venture, Inc. and Lighthouse Community Development. Venture's targeted neighborhood includes Census

Tracts 1417 and 1418. These areas represent a 90% low, mod, middle income household area, have a foreclosure risk score of 10, and have over 60% of the mortgages in the area being high cost, sub prime mortgages. The neighborhoods targeted by Lighthouse Community Development include Census Tracts 1422 and 1424. This area has an over 85% low, mod, middle income household area, a foreclosure risk factor of 10, and an almost 63% of mortgages in the area being high cost, sub prime mortgages.

In addition as part of the Cities of Promise partnership with the State of Michigan, the City identified an additional seven target areas as part of the City's funding request to the State for Blight Elimination grant funds. Portions of these target area do overlap with the CHDO Target Neighborhoods. These areas are as follows:

Area 1 –

West Border: Woodward Avenue from Huron Street (M-59) to Auburn Road
South Border: Auburn Road from Woodward Avenue to Martin Luther King Blvd.
East Border: Martin Luther King Boulevard from Auburn Road to M-59
North Border: M-59 (East Huron Street) from Martin Luther King Blvd. to Woodward
This area is Census Tract 1422 and has a 63.4% high cost mortgage rate, predicted foreclosure rate of 14.9% and a residential vacancy rate of 9.8%.

Area 2 –

West Border: Woodward Avenue from Railroad to South Blvd.
South Border: South Boulevard from Woodward Avenue to Martin Luther King Blvd.
East Border: Martin Luther King Boulevard from South Blvd. to vacated rail line
North Border: Vacated Railroad Line (south of Osmun near to Woodward to MLK Blvd.)
This target area is located in Census Tract 1424, Block Groups 2, 4 and 5 and has a high cost mortgage rate of 62.3%, a predicted foreclosure rate of 14.7% and a 13.4% residential vacancy rate.

Area 3 –

West Border: Perry Street from Oakhill to Glenwood
South Border: Oakhill (north of Oakhill Cemetery) to Paddock Street to University
East Border: Monterey (area includes both sides of street) from University to end of street
North Border: Grandview (street platted but not completed, south of Glenwood Plaza), Glenwood plaza to Perry Street
This target area is located in Census Tract 1416, Block Groups 1, 2, and 3 and this area has a high cost mortgage rate of 58.2%, a predicted foreclosure rate of 14%, and a residential vacancy rate of 12.7%.

Area 4 –

West Border: Oakland Avenue to Wisner Stadium to Cass Avenue
South Border: Sanderson to Oakland to Baldwin to Howard to Saginaw Street
East Border: N. Saginaw Street from Howard to Montcalm
North Border: Montcalm Avenue from N. Saginaw to Oakland Avenue

This target is located in Census Tract 1417 and has a high cost mortgage rate of 63.5%, a predicted foreclosure rate of 14.9%, and a residential vacancy rate of 19%.

Area 5 –

West Border: Johnson Street from West Huron to Elizabeth Lake Road

South Border: West Huron Street from Johnson to Railroad Tracks (just before Woodward)

East Border: Railroad tracks from West Huron Street to Johnson

North Border: Johnson Street from Railroad tracks to Elizabeth Lake Road

This target area is located in Census Tract 1421, Block Groups 1, 2 and 4 and has a high cost mortgage rate of 68.1%, a predicted foreclosure rate of 15.7% and a residential vacancy rate of 22%.

Area 6 –

West Border: Lake Street from Orchard Lake to Lakeside Homes site

South Border: Gillespie Street from Lake Street to Bagley (both sides where currently developed)

East Border: Bagley Street from Gillespie to Orchard Lake Road

North Border: Orchard Lake Road from Bagley to Lake Street

This target area is located in Census Tract 1425 and has a high cost mortgage rate of 46.9%, a predicted foreclosure rate of 12% and a residential vacancy rate of 17.7%.

Area 7 –

West Border: Bagley Street from Rapid Street to South Blvd. (both sides of Rapid Street)

South Border: South Boulevard from Bagley Street to Franklin Road

East Border: Franklin Road from South Blvd. to Rapid Street

North Border: Rapid Street from Franklin Road to Bagley Street (both sides of Rapid)

This target area is located in Census Tract 1427, Block Group 1 and has a high cost mortgage rate of 67.3%, a predicted foreclosure rate of 15.5% and a 9.9% vacancy rate.

Each of the previously targeted areas shows definite signs of need in regards to the negative impact of foreclosures in our community. In each of the funded activities, the City will prioritize those properties within these targeted areas but because the need is so great across the community that the City will complete activities citywide.

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a sub prime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

In reviewing the eligible activities of the Neighborhood Stabilization Program, the City went back to the Goals of the City's Consolidated Plan 2005-2009 and looked at how these eligible activities fit into the City's Plan. Based on the needs identified in the City's Consolidated Plan and FY2008 Annual Plan, the City has identified the following budget for the allocation of NSP funds.

Neighborhood Stabilization Program Allocation	\$3,542,002.00
NSP Activity	Budget Amount
Administration	\$354,200.20
(D) Demolition of Blighting Structures	\$520,000.00
(E) Redevelop demolished or vacant properties	\$1,000,000.00
(B) Purchase and Rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or develop such homes and properties	\$1,467,801.80
(A) Financing Mechanisms for purchase and redevelopment of foreclosed upon homes	\$200,000.00

Due to the economic conditions in the City and the large number of foreclosures (over 1,600 in 18 months), the City has a large number of vacant, foreclosed upon properties in the City. While many of these homes are standard homes that can be rehabilitated up to current code, there are approximately 150 foreclosed homes that need to be demolished based on current condition. The City, through its regular CDBG program, has focused a portion of our funding toward the demolition of condemned, blighting single family homes. Currently, the City has a list of approximately 600 homes that are in some part of the Substandard Process. Because many of the homes are mortgage or tax foreclosures, the City is proposing to use \$520,000 of the funds toward demolishing these blighted structures. These demolitions will be prioritized by Cities of Promise Target Area as described in the previous section.

The City also needs affordable housing opportunities for our low-income residents. The City is proposing approximately \$1,000,000 of the NSP allocation to provide up to 20 units of affordable owner and rental housing opportunities in these same targeted neighborhoods. The new housing opportunities will be targeted toward households who earn 50% or below of area median income. This will help the City to start to build back its tax base which has severely eroded by dropping home values (-13.3% since 2000), tax foreclosures and loss of housing stock to abandonment and demolition.

\$1,467,801.80 of the NSP funds will be budgeted for the purchase of vacant foreclosed upon properties in the City. These homes will be inspected to insure that it is economically feasible to rehabilitate the homes and bring them up to current code and energy standards. These homes will either be sold to homebuyers for use as their primary residence or be transferred to nonprofit organizations to be used as affordable rental properties. If there are multi-family properties available, the City will work with the

nonprofit organizations to acquire these structures but the nonprofit must apply to the State of Michigan's NSP for rehabilitation funds for the projects due to the limited funding available to the City of Pontiac.

The City will also use a portion of the funds for downpayment assistance and limited rehabilitation for the purchase of vacant, foreclosed upon homes to be used as their primary residence.

The City is hoping that these actions will stabilize the neighborhoods and bring homeowners back into our housing. Getting families back into the homes will also help to stop the deterioration of our housing stock and prevent further demolition and loss of our housing stock.

The targeted areas that are being prioritized by the City are identified in the previous section and also discussed further under the demolition of blighting structures activity.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law.

Response:

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.

(2) Definition of "affordable rents." **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

The City will use the HOME definition of "affordable rents" at 24 CFR 92.252 (a), (c) and (f).

For those families at 66 to 120% of area median income, the City will use the recently issued final FY2009 Fair Market Rents for the Detroit-Warren-Livonia, MI HUD Metro FMR Area of which includes the City of Pontiac (24 CFR 92.252 (a) 1).

For those families at 65% or below for area median income, the City will target rents that do not exceed 30% of the income eligible households adjusted income to insure affordability.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

The purpose of the NSP program is to help communities to stabilize their neighborhoods that have been negatively impacted by the high number of foreclosures. One of the ways to help stabilize the neighborhoods in Pontiac is to stop the constant turnover that these foreclosures create in our neighborhoods. Data from the Mortgage Bankers Association National Delinquency Survey as of June 2008 showed that there were over 1,600 foreclosures in Pontiac in an 18-month period. In just reviewing the number in total, this had a huge impact on the City overall. But if you review the actual addresses that have been foreclosed on, many of the neighborhoods are being more severely undermined because many of the homes have been foreclosed on more than one occasion since 2004 - some up to four times.

The City will feel a bigger impact from our homebuyer activities by creating a stable homebuyer population who will remain in their homes longer and help to stabilize their neighborhoods. The homes will be developed and sold at an affordable rate insuring an affordable first mortgage on the property. The City will provide a zero-interest deferred mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. The deferred second mortgage will be in effect for a period of 15 years. During this timeframe, the homebuyer will be subject to the City of Pontiac's Subordination Policy and they will not be allowed to take out any equity on the home until after the period of affordability and the City's lien has been discharged. This will help to prevent or stop many of the refinancing activities that created our current housing and foreclosure crisis. The City will also require within the terms of the deferred lien that the homeowner must maintain their home in good condition and keep their property taxes paid to current and maintain adequate homeowner's insurance on their property throughout the 15-year affordability period.

When the properties under the NSP are either sold or occupied, the homes will have been brought up to current city code and every effort will have been made to make them more energy efficient. This will allow the homebuyer to live in the home for a period of 5 to 10 years before the maintenance costs start to increase and will allow the homebuyer to save some dollars to address future maintenance costs. Also, the energy efficient upgrades will allow the homebuyer to keep the costs of utilities down and provide for more long term sustainability and affordability.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

The City will insure that all properties acquired and rehabilitated under the NSP program shall comply with the requirements of 24 CFR 92.251, relating to applicable state, and local property standards for the duration of the Neighborhood Stabilization program. The City of Pontiac uses the 2006 Michigan Building Code, 2006 Michigan Residential Code, 2005 National Electric Code, 2006 Michigan Mechanical Code, 2006 Michigan Plumbing Code, 2006 International Fire Code, 2006 International Property Maintenance Code and the 2003 Michigan Uniform Energy Code.

The City will conduct a Team Inspection for each property acquired under the NSP program. A Team Inspection is conducted by the Technical Inspectors under the direction of the Building and Safety Engineering Division and provides a complete listing of actions necessary to bring a property up to current code. The City is also proposing to conduct an Energy Audit on each property to determine appropriate actions to improve the overall energy efficiency of each of the houses to help support the long term sustainability of each of the homes.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$ 1,000,000 .

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

Of the available \$3,542,002 Neighborhood Stabilization Program funds available to the City of Pontiac, the City has set aside \$1,000,000 for the development of housing opportunities for persons with incomes not exceeding 50% of area median income (AMI). In the City of Pontiac, a four-person household can earn up to \$34,950 to be at 50% of AMI. The City is proposing to provide both new rental and homeowner opportunities for these income targeted households.

The City will be partnering with Habitat for Humanity of Oakland for a two-phase construction project involving the construction of a total of fifteen LEED Certified single family homes for sale to income-eligible, first time homebuyer families. For Phase I, Habitat will construct ten single family homes in their current targeted neighborhoods of development which include the Cities of Promise Target Area 2 and Cities of Promise Target Area 5. Habitat will be constructing these homes on previously tax reverted vacant land in these target areas. For Phase II of the new housing opportunities for this targeted population, Habitat will construct five new single family homes in the Cities of Promise Target Area 6 which has also been designated as the Signature Project Area for the Cities

of Promise Partnership with the State. These homes will be constructed on vacant lots currently owned by the City which had been previously acquired through the tax reversion process.

The City is also partnering with a community partner to develop five units of rental housing to be made available to households at 50% or below of area median income. At the time of this writing, it was still questionable as to if the NSP funds could be pro-rated through a larger project. If it is determined that the funds could not be used in this manner, the City would provide these five rental units targeted at those households with incomes at 50% or below of AMI through our acquisition/rehabilitation program activity. The City would purchase five homes that would be targeted toward this income level. The City would work with a local nonprofit supportive housing agency to identify potential families for this housing. The City would make additional efforts to provide handicapped accessible housing for persons with special needs under this program. These households would either purchase the home outright if possible or the home would be transferred to a nonprofit housing organization as a rental unit. The home will be managed by the nonprofit who will work with the family to improve their credit and qualify for an affordable mortgage. The City would look at those families who could reasonably qualify for mortgage within a two to three year lease-purchase commitment. Based on the composition of the population of the City of Pontiac, it is very likely a larger portion of the NSP funds will be used to provide housing opportunities, either through ownership or rental units, for households at or below 50% of AMI.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

As part of the City's Demolition of Blighting Structures Activity, the City of Pontiac will target for demolition approximately 50 blighted structures. Each of the 50 structures

identified for this activity will have gone through the City of Pontiac’s Substandard Housing Process having been condemned and designated as spot slum and blight. The City is targeting those blighting structures located within seven locally designated target areas. At this time, the City is not targeting vacant homes for demolition where the City is planning on immediately redeveloping the site so the City is only addressing the structures in the worst and most dangerous condition. None of the houses targeted for demolition would qualify as standard housing and would have been vacant for over 180 days. Based on the locations of the homes and the assessed value of the properties, the City is estimating that approximately 39 of the 50 properties would be considered to be low-mod housing and approximately of the 12 properties demolished with matching Cities of Promise Blight Elimination funds would be considered low-mod housing.

Number of Structures to be Demolished - NSP Allocation	Number of Structures to be Demolished - Matching Cities of Promise funds	Income Levels
22	7	50% or below AMI
17	5	51 to 80% AMI
11	3	81 to 120% AMI
50 structures total	15 structures total	

Currently the City is planning to provide, at a minimum, 59 affordable housing opportunities for all households up to 120% of AMI. Of these 59 units, a minimum of 23 units, both owner and rental opportunities, will be available to those households who earn up to 50% of AMI. This number does not include additional units that will be made available with program income proceeds from the sale of the homeownership units. The City could possible create an additional 20 units of affordable housing with the program income proceeds. Based on the ability of the City to negotiate for deeper discounts and what type of housing opportunities are available, the City could create between 59 and 95 units of affordable housing to be made to households at up to 120% of AMI. At this time, the City is not planning on converting any vacant, non-residential properties into housing units. The City will focus on existing vacant, foreclosed upon properties to be used in creating the following affordable housing opportunities.

Number of Affordable Housing Opportunities – NSP Allocation	Number of Affordable Housing Opportunities – Program Income	Income Levels
23 - 32	5	50% or below AMI
22 - 25	10	51 to 80% AMI
14 - 18	5	81 to 120% AMI
59 – 75 Housing Units	20 Housing Units	

For all activities, the City is proposing to begin each activity as soon as the funds are available on February 1, 2009 if possible. Each activity will go until June 1, 2010. Any program income funded activities will begin after June 1, 2010 after the full obligation of

the original NSP allocation. Program income funded activities can begin sooner if all of the NSP funds are expended or obligated at an earlier date.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Note: proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.

Response:

As part of the City's Citizen's Participation Plan, the Federal Programs Division consults with the members of the Coordinating Council on all matters which pertain to the Federal Programs including the Community Development Block Grant (CDBG) program and HOME Investment Partnership program. The Coordinating Council is a 28 member body consisting of four (4) citizens from each of the seven (7) Citizen District Councils which represent the seven (7) City Council Districts. At the October 20th meeting of the Coordinating Council, Federal Programs Division staff provided an overview of the Neighborhood Stabilization program to those members in attendance. Staff went through the funding announcement and eligible NSP uses. Staff asked that each of the members take back an overview of the program to the members of their Citizens District Council to prepare the citizens for the development of the plan.

Citizen comments will be placed in the final document to be submitted to HUD on December 1, 2008. All written comments can be submitted to the Federal Programs Division office at the following address:

City of Pontiac Federal Programs Division
47450 Woodward Avenue
Pontiac, MI 48342
Attn: Patricia Lile, Block Grant Administrator

Questions can be directed to our office at 248-758-3780 and comments can be faxed to 248-758-3775. Emails can be sent to blockgrant@pontiac.mi.us and everything received by our office on Friday, November 28 by 5:00 pm will be included in the substantial amendment submitted to HUD.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Demolition of Blighted, Vacant, Foreclosed Upon Properties

(2) Activity Type: NSP Activity (D) Demolition of Blighted Structures
CDBG Activity 24 CFR 570.201 (d) Clearance for blighted structures only (based on LMMI area benefit only)

(3) National Objective: Low, Moderate and Middle Income Area Benefit

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

City of Pontiac Consolidated Plan 2005-2009 – Goal #3 Create Suitable Living Environment

The City will target up to 50 vacant, condemned foreclosed properties for demolition. Currently the City has identified a list of approximately 100 properties that have determined to be blighting and will work with the list to target demolition. With the large number of foreclosures in our community, the City has seen an increase in the number of properties that go through the City's Substandard Housing that are bank-owned foreclosed upon properties. As the inventories of the banks increase, the properties in Pontiac are not being maintained properly and the houses are not being secured against trespass. As properties sit vacant in the City, the houses are broken in to and the salvageable materials are removed. This sometimes includes the doors and the windows as well as the furnace, hot water heaters, the plumbing, wiring and fixtures. The houses are then left completely open to the elements and fast become an attractive nuisance and a threat to health and safety.

All properties, under this Demolition Activity, will have been condemned for cause by the staff of the Building and Safety Engineering Division of the City of Pontiac. The houses will be brought before the City's Hearing Officer for determination of whether there is cause for the City to proceed with the Substandard/Demolition process. If there is determined to be just cause for pursuing demolition, the structure will be brought back before the Pontiac City Council Substandard Hearing after 30 days. If the Building and Safety Engineering Division can document the need for the demolition, the City Council can order the property to be demolished at this Hearing. The City then waits an additional 60 days before the structure can be taken down. If the property is ordered down and there are no legal objections to the action, the City will conduct an Asbestos Survey on the property as required by the State of Michigan, and if asbestos is found, the asbestos will be abated prior to demolition. There are legal processes that can be followed by the property owner to stop the demolition process and work with the City to rehabilitate the structure up to current City Code. The City can only demolish those structures that the

owners have abandoned and do not pursue legal means to stop the process and the rehabilitate the structure.

The City will only target those properties which are considered to no longer be economically feasible to rehabilitate into standard housing for demolition. The City will use the demolition of the housing as the last resort in addressing vacant, foreclosed upon housing. The City will target those homes that can be rehabilitated into affordable standard housing under other activities of the NSP program.

The City has matching funds from the Cities of Promise Blight Elimination Grant program through the State of Michigan and can receive \$5,000 for each eligible property demolished. Eligibility is determined by location within the seven locally targeted Cities of Promise Target Areas for Blight Elimination. For those properties located within these targeted areas that are demolished with City funds, the City can request matching funds from the State of Michigan.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Priority will be given to those properties located within the seven locally designated Cities of Promise Target Areas. These target areas were identified by the City of Pontiac staff working on the Cities of Promise Safe and Vibrant Neighborhood Committee. The areas were designated during the application for the Cities of Promised Blight Elimination Grant program. These areas were targeted based on the large number of vacant, blighting structures in these neighborhoods. The Blight Elimination program was created to address the large backlog of properties that needed to be demolished in the City due to the high rate of abandonment because of the economy and the high foreclosure rate in the City.

These areas are as described below:

Area 1 –

West Border: Woodward Avenue from Huron Street (M-59) to Auburn Road
South Border: Auburn Road from Woodward Avenue to Martin Luther King Blvd.
East Border: Martin Luther King Boulevard from Auburn Road to M-59
North Border: M-59 (East Huron Street) from Martin Luther King Blvd. to Woodward
This area is Census Tract 1422 and has a 63.4% high cost mortgage rate, predicted foreclosure rate of 14.9% and a residential vacancy rate of 9.8%.

Area 2 –

West Border: Woodward Avenue from Railroad to South Blvd.
South Border: South Boulevard from Woodward Avenue to Martin Luther King Blvd.
East Border: Martin Luther King Boulevard from South Blvd. to vacated rail line
North Border: Vacated Railroad Line (south of Osmun near to Woodward to MLK Blvd.)

This target area is located in Census Tract 1424, Block Groups 2, 4 and 5 and has a high cost mortgage rate of 62.3%, a predicted foreclosure rate of 14.7% and a 13.4% residential vacancy rate.

Area 3 –

West Border: Perry Street from Oakhill to Glenwood

South Border: Oakhill (north of Oakhill Cemetery) to Paddock Street to University

East Border: Monterey (area includes both sides of street) from University to end of street

North Border: Grandview (street platted but not completed, south of Glenwood Plaza), Glenwood plaza to Perry Street

This target area is located in Census Tract 1416, Block Groups 1, 2, and 3 and this area has a high cost mortgage rate of 58.2%, a predicted foreclosure rate of 14%, and a residential vacancy rate of 12.7%.

Area 4 –

West Border: Oakland Avenue to Wisner Stadium to Cass Avenue

South Border: Sanderson to Oakland to Baldwin to Howard to Saginaw Street

East Border: N. Saginaw Street from Howard to Montcalm

North Border: Montcalm Avenue from N. Saginaw to Oakland Avenue

This target is located in Census Tract 1417 and has a high cost mortgage rate of 63.5%, a predicted foreclosure rate of 14.9%, and a residential vacancy rate of 19%.

Area 5 –

West Border: Johnson Street from West Huron to Elizabeth Lake Road

South Border: West Huron Street from Johnson to Railroad Tracks (just before Woodward)

East Border: Railroad tracks from West Huron Street to Johnson

North Border: Johnson Street from Railroad tracks to Elizabeth Lake Road

This target area is located in Census Tract 1421, Block Groups 1, 2 and 4 and has a high cost mortgage rate of 68.1%, a predicted foreclosure rate of 15.7% and a residential vacancy rate of 22%.

Area 6 –

West Border: Lake Street from Orchard Lake to Lakeside Homes site

South Border: Gillespie Street from Lake Street to Bagley (both sides where currently developed)

East Border: Bagley Street from Gillespie to Orchard Lake Road

North Border: Orchard Lake Road from Bagley to Lake Street

This target area is located in Census Tract 1425 and has a high cost mortgage rate of 46.9%, a predicted foreclosure rate of 12% and a residential vacancy rate of 17.7%.

Area 7 –

West Border: Bagley Street from Rapid Street to South Blvd. (both sides of Rapid Street)

South Border: South Boulevard from Bagley Street to Franklin Road

East Border: Franklin Road from South Blvd. to Rapid Street

North Border: Rapid Street from Franklin Road to Bagley Street (both sides of Rapid)
 This target area is located in Census Tract 1427, Block Group 1 and has a high cost mortgage rate of 67.3%, a predicted foreclosure rate of 15.5% and a 9.9% vacancy rate.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

Suitable Living Environment - Sustainability

Demolition of 50 Blighted Structures with the initial NSP allocation
 Demolition of 15 Blighted Structures with matching Cities of Promise Blight Elimination Grant funding

Number of Structures to be Demolished - NSP Allocation	Number of Structures to be Demolished - Matching Cities of Promise funds	Income Levels
22	7	50% or below AMI
17	5	51 to 80% AMI
11	3	81 to 120% AMI
50 structures total	15 structures total	

These estimates are based on review of the proposed list of approximately 100 properties identified as bank-owned foreclosed upon properties that are scheduled for demolition. None of the properties would qualify as low-mod housing due to the fact that all of the structures have been vacant greater than 180 days and are unfit for human habitation. None of the units would qualify as standard housing and are not economically feasible to rehabilitate into affordable housing.

(7) Total Budget: (Include public and private components)

NSP Funds:	\$520,000.00
Matching Funds (Cities of Promise Blight Elimination Grant)	\$150,000.00

Cities of Promise Blight Elimination Grant will provide a \$5,000 matching grant towards the demolition of any blighted residential structure located within seven locally designated target neighborhoods. The City has targeted blighted, condemned bank-owned foreclosed upon properties as a priority under the NSP program. The City is estimating that approximately 60% of the structures will be located within one of the seven targeted neighborhoods.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Pontiac
Federal Programs Division
Building and Safety Engineering Division
47450 Woodward Avenue
Pontiac, MI 48342
248-758-3780

Federal Programs Administrator: Patricia Lile, plile@pontiac.mi.us

(9) Projected Start Date: February 1, 2009

(10) Projected End Date: June 1, 2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

These are not applicable to the demolition of blighting structures.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

- (1) Activity Name: Redevelopment of vacant land for the construction of new affordable housing opportunities
- (2) Activity Type: NSP Activity (E) Redevelop demolished or vacant properties
CDBG Activity 24 CFR 570.201 (n) Direct homeownership assistance as modified by the NSP program
- (3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Low Income Households at 50% or below of Area Median Income

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

City of Pontiac Consolidated Plan 2005-2009 – Goal #1 Increase and Improve Homeownership Opportunities, Goal #2 Remove Barriers to Affordable Housing

The City had a large problem with disinvestment in our older neighborhoods prior to the onset of the mortgage foreclosure crisis in our community. The City has always lagged behind in various economic indicators including income of other nearby communities and Oakland County as a whole of which Pontiac is the county seat. Because of the large amount of disinvestment, there has been a failure of the housing market in Pontiac where by a portion of the housing stock has been abandoned by the owners that started before the number of foreclosures dramatically increased. This abandonment can be due to a number of factors including the owner of a rental walking away from a rental property because they do not want invest any funds in maintaining the property, persons unable to pay their property taxes or a mortgage foreclosure where the owner walks away and the bank does not step up and take over the maintenance and management of the property.

Due to this disinvestment, the City has a large number of vacant lots in our older neighborhoods. This is directly impacting the ability of the City to collect enough revenue from property taxes and provide services to our citizens. There is a great need to provide affordable housing opportunities to our citizens including the opportunity to become homeowners. Under this activity, the City will be working a nonprofit housing agency, Habitat for Humanity of Oakland County, to provide homebuyer subsidies to first time homebuyers to purchase their first home constructed on previously tax reverted vacant land. The City is planning to construct 15 single family homes in two phases based on geographic location, which will be sold to income-eligible, first time homebuyer

families at 50% or below of AMI. This program will create affordable housing opportunities on an infill basis in three locally designated Cities of Promise target areas.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The new construction will occur in three Cities of Promise Target Areas for this project. Habitat for Humanity of Oakland County will construct Phase I of the project which includes ten homes in two of the targeted areas – Target Area 2 and Target Area 5. Habitat has completed other homes in both of these areas and owns vacant land purchased through the tax foreclosure process. Phase II of the new construction will be targeted in Target Area 6 which has also been designated as the Signature Project for the Cities of Promise program. This project involves a targeted, focused approach to neighborhood revitalization so these new homes are addressing a need. The City of Pontiac will provide vacant land for this development from the City’s current inventory of vacant land which includes properties received through the tax foreclosure process.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

20 units of new affordable housing units targeted at households that at 50% or below of area median income

Decent Housing/Availability and Affordability

(7) Total Budget: (Include public and private components)

	NSP	Other
Homeownership Opportunities	\$750,000	\$900,000
Rental Opportunities	<u>\$250,000</u>	<u>\$1,000,000</u>
	\$1,000,000	\$1,900,000

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Pontiac Federal Programs Division
47450 Woodward Avenue
Pontiac, MI 48342
248-758-3780
Block Grant Administrator: Patricia Lile, plile@pontiac.mi.us

(9) Projected Start Date: February 1, 2009

(10) Projected End Date: June 1, 2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

For each of the assisted homeownership units, the City will provide a zero interest deferred loan to buy down the primary mortgage to make the homes more affordable to persons at 50% or below of area median income. The loan will be deferred until such time that the property is sold or the title is transferred. At the time of the transfer or sale if it occurs on or after July 30, 2013, the funds will be sent directly to HUD per the NSP regulations. If the funds are repaid to the City prior to this date, the funds will be used to fund an additional housing unit developed in this same manner.

For each of the rental units, if part of a larger project, a lien will be placed on the property and the units will be required to meet income guidelines and affordable rent structures as defined previously in this amendment. Rent payments received will be used for the normal costs associated with rental property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/or deposit of rent into a separate account for NSP-eligible homebuyers to subsequently use these funds to purchase the unit or another NSP-eligible unit. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the HUD Field Office.

Each of the homebuyers will be subject to the City of Pontiac's Subordination Policy and the City will not allow the homebuyer to take unearned equity out of the property. The City does not subordinate its position to allow the homebuyer to take money out of the home. The subsidy was provided for the purpose of insuring an affordable monthly mortgage payment and that, throughout the life of the lien on the property, the City will not allow the homebuyer to jeopardize the standing of their home and take on an unaffordable payment amount. The homes that are to be constructed will also be LEED Certified homes that will be extremely energy efficient. This will also help to address the long term sustainability and monthly affordability of the home by keeping the monthly utility bills much lower than comparable homes.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Acquisition, Rehabilitation and Resale of Vacant, Foreclosed Upon Properties

(2) Activity Type: NSP Activity (B) 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

CDBG Activity 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) Relocation and (n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential structures (Note that rehabilitation may includes counseling for those seeking to take part in the activity)

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Households with income equal to or less than 120% of area median income

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

City of Pontiac Consolidated Plan 2005-2009 – Goal # 2 Remove Barriers to Affordable Housing

The City of Pontiac will purchase vacant, foreclosed upon homes and residential properties for the purchase of rehabilitation and resale. The homes will either be targeted at providing homebuyer opportunities or creating affordable rental properties. The City will purchase the homes directly from the mortgage holders and the City will negotiate a discounted purchase price. The City will then conduct a Team Inspection from the City's Building and Safety Engineering Division and have an Energy Audit on the structure. The City will then complete the rehabilitation and energy upgrade on the property to bring it up to current city codes. Once the home has been brought up to code, the City will list the home for sale with a real estate agent and market the home to the community.

Each potential homebuyer must complete eight (8) hours of homebuyer counseling from an approved HUD-counseling agency. Each homebuyer household is not required to be a first time homebuyer for this activity but they cannot currently own a home or have owned a home in the previous 12 months at the time of application to the City. Each homebuyer must be able to qualify for financing at conventional rates, including conventional, FHA and MSHDA mortgages to purchase one of these homes.

For those properties identified as rental properties, the City will transfer the property, before or after rehabilitation based on the actual project and rehabilitation cost, to a nonprofit housing organization who will manage the properties. For single family home rentals, the nonprofit will work with families who need affordable housing and who are not able to purchase a home at the time of the completion of the units. Priority will be given to those families who are willing to work toward improving their credit so that they are mortgageable within a specified period of two to three years. The nonprofit will provide homeownership and credit counseling to these families to allow them to participate in a lease-purchase program to eventually purchase.

The City will give special consideration to those families and households that need affordable housing and have special needs. The City will work to accommodate these families by providing upgrades to some of the targeted homes to make them handicapped accessible. The City will also work with these families in a lease-purchase to allow a disabled renter household to eventually purchase the home they are living in. The City will partner with various supportive housing agencies to address the needs of these special needs populations to the extent that it is feasible.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

The City will prioritize the purchase of foreclosed properties to areas that have been previously identified in this amendment including designated CHDO Neighborhood Revitalization Areas and the designated Cities of Promise Target Areas. Although the ultimate locations of these properties will be determined by the actual homes available for purchase by the City, the purchase price, condition of the available housing and the ability to resell these homes.

As of November 10, 2008, there were approximately 111 vacant, foreclosed upon properties that were owned by either HUD, Fannie Mae, Freddie Mac or the Veterans Administration. Of these 111 homes, only 12 were located within the boundaries of any of the previously identified target areas. The City will try to work with each of these federal agencies in order to try and secure a portion of their inventories at a deep discounted rate.

The City will work with a real estate agency to also help to identify those properties that meet the requirements of the program.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

Original NSP Allocation

30 – 50 units of affordable housing

20 - 30 units will be targeted for homeownership opportunities

5 units will be targeted for households at 50% or below of AMI

- 5-10 Units will be targeted at households at 51 – 80% of AMI
- 10- 15 Units will be targeted at households at 81 – 120% of AMI
- 10 – 20 units will be targeted for affordable rental opportunities
- 5 – 10 Rental units will be targeted at households at 50% or below of AMI
- 5 – 10 Rental units will be targeted at persons at 51 - 80% of AMI

NSP Program Income Received

20 additional units of homeownership opportunities

20 units targeted at households with incomes up to 120% or below of AMI

Decent Housing/Availability and Affordability

(7) Total Budget: (Include public and private components)

	NSP Funds	
Acquisition of Vacant property	\$1,467,801.80	Other Private mortgage financing

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Pontiac Federal Programs Division
 47450 Woodward Avenue
 Pontiac, MI 48342
 248-758-3780
 Block Grant Administrator: Patricia Lile, plile@pontiac.mi.us

(9) Projected Start Date: February 1, 2009
 Program Income funded activities – July 1, 2010 (after all NSP funds have been expended or obligated)

(10) Projected End Date: June 1, 2010
 Program Income funded activities – June 1, 2011

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- duration or term of assistance;

- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

The City will target a 15% discount rate for the entire portfolio with a minimum of a 5% discount on any property. This will be offset by properties that the City will purchase at a greater discount.

For homebuyer properties, the City place a zero interest deferred lien on the property, subordinate to the homebuyer's primary mortgage only. The amount of the lien will reflect the amount of the owner's equity that is unencumbered by an affordable mortgage. The City's second mortgage will be in effect for a period of 15 years. At the end of the 15 year affordability period, the City will discharge the mortgage. If the home is sold or the title is transferred before the end of the affordability period, a pro-rated portion of the NSP funds must be returned to either the City of Pontiac or the HUD Treasury based on the date the program income is received. If the program income is received before July 30, 2013, the funds must be returned to the City of Pontiac and will be used for this NSP eligible activity to develop more affordable housing opportunities. If the program income is received on or after July 30, 2013, the funds will be returned to HUD Treasury in Washington, DC.

For those units that are developed into affordable rental units, the City will transfer ownership of the properties to local nonprofit housing agencies which will be responsible for their management. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252. Rent payments received will be used for the normal costs associated with rental property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/or deposit of rent into a separate account for NSP-eligible homebuyers to subsequently use these funds to purchase the unit or another NSP-eligible unit. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the HUD Field Office.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Downpayment and Rehabilitation Assistance

(2) Activity Type: NSP Activity (A) Establish finance mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate income buyers

CDBG Activity *As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206 *Also, the eligible activities below to the extent financing mechanisms are used to carry them out (a) Acquisition, (b) Disposition, (n) Direct homeownership assistance, 570.202 rehabilitation and preservation activities for homes including counseling for those seeking to take part in the activity.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Households with incomes equal to or less than 120% of area median income

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

City of Pontiac Consolidated Plan 2005-2009 Goal #2 Remove Barriers to Affordable Housing

The City of Pontiac will provide a Downpayment and Rehabilitation Assistance for eligible households with incomes equal to or less than 120% of area median income to purchase vacant, foreclosed upon properties located within the City of Pontiac. The home must be purchased for use as the buyers primary residence. No rental properties are eligible under this program. The homebuyer is not required to be a first-time homebuyer but must not currently own a home or have owned a home in the previous twelve months at the time of application to the City. All homebuyers must be credit worthy enough to obtain a conventional, fixed rate mortgage, 20 to 30 years, from a conventional lender. No sub prime, high cost, adjustable rate mortgages will be allowed. All program participants must complete eight (8) hours of homebuyer counseling prior to closing on the purchase of their home.

Each participating homebuyer must negotiate with the bank owner of the property to purchase the home at a discount from the current appraised value of the home. The minimum discount must be 5% or more. The City is targeting a 15% discount rate for the entire portfolio of properties acquired through the NSP program. Each home must receive a Team Inspection from the City's Building and Safety Engineering Division to

determine the scope of work to bring the home up to code and the feasibility of the rehabilitation. The City will also have an Energy Audit conducted on each home to look at ways to improve overall energy efficiency of each home to further improve affordability of the home to the buyer.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

At this time the exact locations of the possible homes has not been identified. This is a consumer activity and the participants will be eligible to choose any eligible, vacant, and foreclosed upon property located in the City. This will be a city-wide activity.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

The City will assist a minimum of 20 households up to 30 households on this program. It is estimated that approximately five (5) of the households will have incomes at 50% or below of area median income and the remaining potential 25 households will have incomes from 51% to 120% of area median incomes.

(7) Total Budget: (Include public and private components)

	NSP Funds
Downpayment and Rehabilitation Assistance	\$200,000
Maximum of \$20,000 per household for downpayment assistance, reasonable closing costs and rehabilitation assistance	

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Pontiac Federal Programs Division
47450 Woodward Avenue
Pontiac, MI 48342
248-758-3780
Block Grant Administrator: Patricia Lile, plile@pontiac.mi.us

(9) Projected Start Date: February 1, 2009

(10) Projected End Date: June 1, 2010

(11) Specific Activity Requirements:
For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

The City will work with each of the potential homebuyers to negotiate a discounted purchase rate of a minimum of 5% but will give preference to those that can negotiate a higher discount rate up to 15%.

The City will place zero interest deferred loans on the properties in the amount of the NSP assistance used for downpayment assistance, reasonable closing costs and rehabilitation assistance. The lien will be deferred for a period of 15 years. At the end of the 15 year affordability period, the City will release the lien on the property. If the home is sold prior to the end of the affordability period, the City will require a repayment of a pro rated amount of the total assistance. If the NSP funds are returned to the City prior to July 30, 2013, the funds will be considered program income and will be used for eligible NSP activities to promote homeownership. If the funds are repaid on or after July 30, 2013, the funds will be returned directly back to HUD.