COUNTY OF VOLUSIA

NEIGHBORHOOD STABILIZATION PROGRAM (NSP) GUIDELINES

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I. Introduction

The Neighborhood Stabilization Program (NSP) is authorized under Title III of the federal Housing and Economic Recovery Act (HERA) of 2008. The NSP assists state and local governments acquire and redevelop abandoned and foreclosed properties that might otherwise become sources of abandonment and blight within their community. The program also provides funds to increase the availability of affordable housing for households with incomes up to 120% of the area median income (AMI).

The County of Volusia received a direct allocation of $5,222,831 for use in Volusia County, except for the cities of Daytona Beach, Deltona and Port Orange (these cities are not part of the County's CDBG program). Volusia County filed an NSP Substantial Amendment to its Consolidated Plan One Year Action Plan, which was approved by the U.S. Department of Housing & Urban Development. A Grant Agreement was executed on March 3, 2009.

The NSP Substantial Amendment, the NSP regulation, HUD interpretive guidelines, and other federal requirements, are the primary documents governing the NSP program in Volusia County. These guidelines are set forth to provide additional guidance on the implementation of the NSP program in Volusia County.

II. NSP HOMEOWNER HOUSING

A. Acquisition of NSP homes – County of Volusia

1. Overview. NSP funds will be used by the County to acquire foreclosed and abandoned homes in the local target areas that meet program criteria. Homes that are acquired will be provided the necessary rehabilitation, and then sold as affordable housing to program and income eligible homebuyers.

2. Pre-acquisition procedural guidelines.

   a. Develop inventory. The Community Assistance Division will develop an inventory of homes that may be eligible for acquisition with NSP funds based on the following criteria:

      - Located in target areas: Located in one of the defined Census Track/Block Groups in Orange City, Deland, Holly Hill and Edgewater (primary target area), or in one the defined Census Track/Block Groups in DeBary, Lake Helen, Ormond Beach and South Daytona (secondary target area) and adjacent unincorporated Volusia County as defined in the NSP Substantial Amendment, and as amended. (See attached list and maps)
      - Listed/offered price: Not to exceed $189,750
      - Type of home: Single-family residences, including townhomes and condominiums
      - Status of title: Lender owned and preliminary title search indicates ability to convey marketable, fee simple title
      - Occupancy status: Home is currently vacant, and unoccupied by the previous owner and/or renters
      - Marketability: Home is located in an area that is marketable to first-time homebuyers

   b. Letter of interest. After conducting preliminary research, the Community Assistance Division will provide a letter of interest to the owner that the County is interested in acquiring with NSP funds. At a minimum, the letter will address the following NSP requirements:

      - Uniform Relocation Act notices
      - Need for appraisal ordered by the County
      - Purchase price restriction

   c. Appraisal. The purchase price to be offered will be a 5-25% discount from the appraised value as determined by an appraisal company selected by the County. The County will use appraisal companies that have been procured through a competitive process, in cooperation with the Purchasing Division.

3. Negotiation and contract for purchase. The Community Assistance Division will negotiate with the owner regarding terms of purchase, in accordance with the

NSP requirements, these guidelines and other applicable County policies and procedures. The standard FLABAR contract will be used in the acquisition of NSP homes, with NSP addendum language developed by the Legal Department and the Division of Acquisition and Land Management, in cooperation with the Community Assistance Division. At a minimum, the contract for purchase will address the following issues:

- Purchase price limitations. The offered purchase price will be a 5% - 25% discount from the appraised value as determined by an appraisal company selected by the County. NSP regulations require that the average discount of all properties acquired by the County with NSP funds be a minimum of 15% from the appraised value.
- Home inspection. A home inspection will be performed for the County, directly or through contractors, and a report issued to assist in evaluating the desirability of the home and estimated rehabilitation costs.
- Environmental review and audit. The County will ensure that the required federal environmental review (ER) is undertaken by Community Assistance Division staff. Additionally, an environmental audit (EA) may be performed by a qualified company procured through the Purchasing Division. The result of the ER and EA will be evaluated in determining whether the County moves forward to acquire the home.
- Lead-based paint inspection. A standard lead-based paint addendum will be used.
- Title search, survey and status of title. The contract will provide that the owner is able to convey the home to the County in fee simple with marketable title within a reasonable timeframe. The County will order a survey.

4. Contract signatory. The County Manager or his designee will execute the purchase contract, and any related documents, on behalf of the County for the acquisition of homes using NSP funds in accordance with these guidelines for a purchase price not to exceed $165,000.

5. Closing. The County Manager or his designee, the Community Assistance Division and other county staff as necessary will attend the closing.

6. Post-closing. The Community Assistance Division will ensure that the homes are secure, maintained and have all necessary utility connections during the post-closing period, until the home is sold to a NSP homebuyer for value, or other eligible use.

7. Eligible use of NSP funds. NSP funds will be used to provide all NSP eligible and reasonable costs of acquisition, including but not limited to the purchase price, buyer's closing costs, pre-acquisition costs, soft costs and project delivery costs.

B. Acquisition of NSP homes – Buyer walk-in program

1. Overview. NSP funds will be provided as a financing mechanism to income and program eligible homebuyers to assist them purchase an NSP eligible home directly from a financial institution located in one of the NSP target areas to reside in as their primary residence. The homebuyer, in cooperation with NSP partners, will be responsible to locate and purchase the NSP-assisted home directly from the financial institution. NSP funds will also be provided post-closing as a financing mechanism for rehabilitation to bring the home up to local standards and to provide for increased energy efficiency. All acquisition requirements of the NSP program will apply.

2. Pre-acquisition procedural guidelines.

   a. Home selection. Buyer will contact one of the approved NSP partners to select a home based on the following criteria:

      - Located in target areas: Located in one of the defined Census Track/Block Groups in Orange City, Deland, Holly Hill and Edgewater (primary target area), or in one the defined Census Track/Block Groups in DeBary, Lake Helen, Ormond Beach and South Daytona (secondary target area) and adjacent unincorporated Volusia County as defined in the NSP Substantial Amendment, and as amended. (See attached list and maps)
      - Listed/offered price: Not to exceed $189,750
      - Type of home: Single-family residences, including townhomes and condominiums
      - Status of title: Lender owned and preliminary title search indicates ability to convey marketable, fee simple title
      - Occupancy status: Home is currently vacant, and unoccupied by the previous owner and/or renters
      - Marketability: Home is located in an area that is marketable to first-time homebuyers

   b. Letter of interest. After conducting preliminary research, the NSP partner will provide a letter of interest to the owner of a home(s) that the buyer is interested in acquiring with NSP funds. At a minimum, the letter will address the following NSP requirements:

      i. Uniform Relocation Act notices
      ii. Need for appraisal ordered by the County
      iii. Purchase price restriction

   c. Appraisal. The contract for purchase must provide that the purchase price will be a 5-25% discount from the appraised value as determined by an appraisal company selected by the County. The County will use appraisal companies that have been procured through a competitive process, in cooperation with the Purchasing Division.

3. Negotiation and contract for purchase. The buyer will negotiate with the owner regarding terms of purchase, in accordance with the NSP requirements. A standard NSP contract and addendum will be developed by the Legal

Department and the Division of Acquisition and Land Management, in cooperation with the Community Assistance Division and used in the acquisition of homes using NSP funds. At a minimum, the contract for purchase will address the following issues:

- Purchase price limitations. The purchase price will be 5% - 25% discount from the appraised value as determined by an appraisal company selected by the County. NSP regulations require that the average discount of all properties acquired by the County with NSP funds be a minimum of 15% from the appraised value.
- Home inspection. A home inspection will be performed and a report issued to assist in evaluating the desirability of the home and estimated rehabilitation costs.
- Environmental review and audit. The County will ensure that the required federal environmental review (ER) is undertaken by Community Assistance Division staff. Additionally, an environmental audit (EA) may be performed by a qualified company procured through the Purchasing Division. The result of the ER and EA will be evaluated in determining whether the County moves forward to acquire the home.
- Lead-based paint inspection. A standard lead-based paint addendum will be used.
- Title search, survey and status of title. The contract will provide that the owner is able to convey the home to the County in fee simple with marketable title within a reasonable timeframe. The County will order a survey.

4. Closing. The closing will be attended by the buyer, County Manager or his designee, the Community Assistance Division and other county staff as necessary.

5. Eligible use of NSP funds. NSP funds will be used to provide all NSP eligible and reasonable costs of acquisition, including but not limited to the purchase price, buyer's closing costs, pre-acquisition costs, soft costs and project delivery costs.

C. Housing rehabilitation and repair - County of Volusia & Buyer walk-in

1. Overview. NSP funds will be used to provide rehabilitation and repair to NSP homes acquired by the County and/or NSP homebuyers. The rehabilitation will bring the homes up to the County's rehabilitation standards (Attachment A), and to increase energy efficiency using the Florida Green Building Coalition standards (This process is similar to the Community Assistance existing rehabilitation program.)

2. Procurement of rehabilitation contractors. The Purchasing Division, in cooperation with the Community Assistance Division, has procured a pool of eligible rehabilitation contractors through a competitive request for quotes (RSQ) process.

3. Work write-up and bid. The Community Assistance Division staff will complete a housing rehabilitation work write-up. The work write-up will be submitted to the Purchasing Division to issue a request for bids on a home-by-home basis.

4. Selection of contractor. After receipt and review of the bids, the Purchasing Division will rank the bids. The ranked bids will be provided to the Community Assistance Division to select the contractor based on the lowest bid, and other factors in accordance with the County's purchasing procedures.

5. Inspection of rehabilitation services. The Community Assistance Division will be responsible to ensure through inspection and review that NSP funds are being used for NSP eligible rehabilitation services, and in a manner to conform to the contract.

6. Eligible use of NSP funds. NSP funds will be used for all eligible and reasonable costs of housing rehabilitation, including but not limited to housing rehabilitation services, lead-based paint inspection and removal, maintenance, real estate taxes, utility charges, property insurance, and project delivery costs.

D. Disposition and sale of NSP homes – Volusia County

1. Overview. NSP funds will be used for disposition and sale of NSP homes by Volusia County to income and program eligible homebuyers.

2. Marketing of homes for sale. The County will market the NSP homes for sale, including, but not limited to, by procuring through a competitive process one or more real estate brokers to provide listing, marketing and sale of the NSP homes. The sales commission to be paid by the County and scope of services will be negotiated.

3. Sales price. The sales price of the home may not exceed the maximum sales price established by the Community Assistance Division, in accordance with the NSP requirements in effect at the time of purchase.

4. NSP sales contract addendum. The Legal Department, in cooperation with the Community Assistance Division, shall develop a standard NSP addendum to be used in the sale of NSP home to persons using NSP homebuyer assistance financing.

5. Conveying title. Pursuant to the provisions of the NSP resolution and ordinance adopted by the Volusia County Council on May 21, 2009 (Resolution 2009-___), the County Manager or his designee is authorized to execute the county deed and all other documents required to convey the NSP home to income and program eligible homebuyers.

6. Proceeds of the sale. The Community Assistance Division will deposit the proceeds of the sale that are program income into the appropriate NSP account. The proceeds will be recycled into the NSP program to acquire additional foreclosed homes, provide rehabilitation, homebuyer assistance etc. in

accordance with NSP regulations, the Substantial Amendment and these guidelines.

7. Eligible use of funds. NSP funds will be used for all eligible and reasonable costs of disposition and sale, including but not limited to real estate sales commission, seller closing costs, maintenance, and project delivery costs.

E. NSP Homebuyer Assistance Program – County of Volusia & Buyer walk-in

1. Overview. NSP funds will be provided as a financing mechanism to income and program eligible homebuyers to assist them purchase an affordable NSP home owned by the County located in one of the target areas of Volusia County, or the participating municipalities, to reside in as their primary residence.

2. Homebuyer applicant guidelines

   a. Income eligible. The applicant's annual household income must not exceed 120% of the area median income (AMI) adjusted for household size. The income must be verified in accordance with the requirements of 24 CFR Part 5 (Section 8).

   b. First-time homebuyer. The applicant must meet the County's definition of a first-time homebuyer at the time of application. A first-time homebuyer is defined as a person who has not owned a home in the three years preceding the application date.

   c. Occupancy requirement. The applicant must agree to occupy the home purchased with NSP homebuyer assistance as his or her primary residence for the 15-year affordability term of the mortgage or deed restriction, or the funds will be subject to recapture and repaid to the County. The homeowner shall maintain the homestead exemption for the home.

   d. Homeownership counseling. All applicants must complete a homeownership counseling course of at least eight hours offered by an approved HUD certified counseling agency.

   e. Financial ability.

      (i) The applicant must be able to secure first mortgage financing in accordance with the affordability guidelines paragraph 4 herein.
      (ii) The applicant must not have been foreclosed on a mortgage in the past seven years.

   f. Applicant contribution to purchase.

(i) Applicants are required to contribute their own funds to the purchase of the home. The table below provides the minimum contribution toward the down payment of the home.

Income level	Minimum contribution required
50% or less of AMI	$500
51% -80% of AMI	$1,000
81% - 120% of AMI	$1,500

3. NSP home guidelines. The applicant may use NSP homebuyer assistance funds to purchase any NSP home that has been acquired and rehabilitated by the County. The NSP home must be located in the NSP target areas identified by the Community Assistance Division in the NSP Substantial Amendment Action Plan as having a high rate of risk of foreclosure and abandonment. No NSP funds may be used within the incorporated limits of Daytona Beach, Deltona or Port Orange.

4. Procedural guidelines

   a. NSP affordable housing partners. The applicant must select and work with one of the approved NSP affordable housing partners to pre-determine income eligibility, coordinate attending homeownership counseling, and to submit all required documents to the Community Assistance Division. The Community Assistance Division will offer training for NSP partners.

   b. The Community Assistance Division will review the application and supporting documents. All assets and income will be verified by third party documentation. Applications will be approved on the basis of first ready, first served.

   c. Waiting list. The Community Assistance Division may establish a waiting list for persons who have applied for the NSP homebuyer assistance program. Selection from the waiting list on the basis of first ready, first served, and grant expenditure requirements.

5. Purchase affordability guidelines.

   a. The applicant must have the ability to secure, and is responsible to secure, a first mortgage financing commitment with a private/commercial/public lender that meets these affordability guidelines and the first mortgage lender's underwriting guidelines.

   b. Participating lenders will be required to comply with all applicable federal and state laws governing the homebuyer assistance program. The lender must comply with the U.S. Treasury Department's guidelines for non-traditional mortgages.

c. The applicant's proposed monthly housing debt service (PITI) must not exceed 30% of the area median income (adjusted for family size) for households qualifying under the definitions of very-low to moderate income. The approved front-end and back-end ratios will be provided to the NSP affordable housing partners, and may be amended by Community Assistance.

d. The applicant must maintain sufficient hazard insurance to insure the property for at least the balance of the first mortgage and the County's mortgage.

e. Property tax, hazard insurance and any other assessment must be collected on a monthly basis, and held in escrow for payment by the first mortgagor.

6. Loan terms

a. Assistance levels. The financial assistance provided by the County is intended to provide "gap financing" and to make the purchase affordable to the applicant. The applicant must not have assets (fixed or liquid) that would enable them to purchase the home without assistance from the County. The applicant, based their income level, may apply for purchase assistance, including down payment assistance, and closing cost assistance in an amount **not to exceed** the amounts listed below:

Income Level	Purchase Assistance	Closing Cost Assistance
50% or less of AMI	$45,000	$6,000
51% -80% of AMI	$35,000	$5,000
81% -120% of AMI	$20,000	$3,000

b. Deferred payment loan. The purchase assistance will be provided to the homebuyer in the form of a deferred payment loan with zero percent interest for a term of 15 years. The loan will be extinguished at the end of the 15-year term provided the homebuyer has met the homebuyer residency requirements and other conditions as outlined in Section E, subsection two. The loan will be secured by a recorded mortgage deed and note.

c. Shared appreciation provisions. The County will share in the net appreciation on the transfer of the home by the homebuyer if the home is transferred prior to the end of the 15-year affordability period. The Legal Department, in cooperation with the Community Assistance Division, will draft the mortgage, note and other related documents to provide the terms of the shared appreciation. The percentage of net appreciation to be shared between the County and homebuyer is provided below:

Year	Homebuyer Net Appreciation	County Net Appreciation

1-2	0%	100%
3-5	50%	50%
6-10	80%	20%
11-15	100%	0%

7. Subordination guidelines.

a. Purchase. In general, the County requires the mortgage given to secure the NSP homebuyer assistance not be subordinate to another mortgage other than the first mortgage. However, the applicant may request the County to occupy a lien position lower than second under the following conditions: 1) if the applicant has a commitment from another governmental homebuyer assistance funded program and that program's loan would exceed the amount of the County's loan for homebuyer assistance, and 2) and the overall affordability to the homebuyer is improved.

b. Refinance of first mortgage or home equity loan. The Community Assistance Division will consider re-subordinating its loan to a first mortgage loan, permitting a home equity loan or other subordinate transfer for a refinancing with terms that improve the long-term affordability of the home. The Community Assistance Division will review the following conditions and terms:

i.) The homeowner has resided in the home a minimum of two years;
ii.) Interest and term of the existing and proposed loan;
iii.) Principal balance of the existing loan;
iv.) Reasons for the request; and
v.) The homeowner will not receive any cash out from the refinancing, except to pay for necessary and documented home repairs to maintain the health and safety of the residents.

8. Default and foreclosure guidelines

a. Default. The Community Assistance Division shall periodically monitor the homebuyer assistance program to ensure compliance with the program requirements to maintain occupancy of the home as the principal residence and other conditions.

b. Foreclosure. If the homeowner's first mortgage or other lien holder initiates foreclosure, the Community Assistance Division, in cooperation with the Legal Department, may take any of the following actions:

i.) In the event of a pending "short sale" by the homeowner, or other demonstrated hardship, the Community Assistance Director may negotiate the County's loan balance rather than require the entire principal balance to be paid in full in order to satisfy the mortgage;

ii.) Purchase the home by paying off the first mortgage to preserve the investment and make it available to income eligible households, based on fund availability and loan-to-value ratio; or

iii.) Follow all foreclosure procedures and receive any net proceeds after the foreclosure. The net proceeds are the sales price minus loan repayments for superior loans and any closing costs.

9. Eligible use of NSP funds. NSP funds will be used for all eligible and reasonable costs of homebuyer assistance, including but not limited to purchase assistance, down payment, principal and interest buy-downs, buyer closing costs, homeownership counseling services, and buyer's pre-paid insurance and real estate taxes.

F. NSP Homebuyer Acquisition – no assistance

1. Overview. Homes that are acquired and rehabilitated by the County with NSP funds may be sold to program and income eligible homebuyers in conformance with these guidelines, even if the homebuyer does not require financial assistance from the County's NSP homebuyer assistance program.

2. Deed restriction. The NSP program requirements and long term affordability will be ensured through the execution and recordation of a deed restriction agreement. The Legal Department will draft the deed restriction agreement, in cooperation with the Community Assistance Division.

III. NSP RENTAL HOUSING

A. Acquisition and rehabilitation of NSP rental housing

1. Overview. NSP funds will be provided as a financing mechanism to NSP rental partners to acquire and rehabilitate single-family and multi-family residential properties for long-term rental housing, primarily for households at 50% or below of the AMI at affordable rents.

2. Selection of NSP rental partners. The Community Assistance Division will solicit through one or more notice of funding availability (NOFA) partner organizations to acquire, rehabilitate and provide long-term rental management of NSP rental housing as an NSP subrecipient. Agencies must be a non-profit organization and a member of the Volusia/Flagler Homeless Continuum of Care and/or a locally certified Community Housing Development Organization (CHDO). The organization must provide documentation of capacity and history of property management serving very-low income and/or homeless households persons.

3. Long-term rental affordability. The Legal Department, in cooperation with the Community Assistance Division, will draft documents to be recorded to ensure rental affordability and occupancy by income eligible households at affordable

rents for a 15-year term. Restrictive covenants will also be included in the deferred payment mortgage.

4. General program guidelines.

   a. All NSP acquisition and rehabilitation requirements that apply to the County also apply to the NSP rental partners.

   b. The NSP rental partners will use either the rehabilitation contractors procured by the County, or will use a competitive bid process approved by the County to select a rehabilitation contractor.

   c. The NSP funds for the acquisition and rehabilitation will be provided through a deferred payment loan with zero percent interest. The loan will be terminated upon completion of the acquisition and rehabilitation provided the NSP rental partner agrees to keep all NSP units affordable for very-low income households for 15 years. A reasonable developer fee may be paid to the NSP rental partner in the form of a grant.

5. Eligible use of NSP funds. NSP funds will be used for all eligible and reasonable costs of acquisition, rehabilitation and rental management, including but not limited to purchase price, rehabilitation costs, developer fees, soft/project related costs, closing costs, and buyer's pre-paid insurance and real estate taxes.

IV. DEMOLITION AND REDEVELOPMENT

A. Overview. NSP funds may be used on a limited basis to acquire foreclosed and abandoned homes which are blighted to be demolished for the purpose of redevelopment of the area for an NSP-CDBG eligible purpose (public infrastructure, public facility, etc.)

B. Procedural guidelines. The Community Assistance Division will employ the NSP acquisition procedures for this activity. The demolition procedures and redevelopment procedures of the County's CDBG capital projects program will govern in all other regards, in compliance with NSP regulations.