

DATE APRIL 16, 2012

CLERK: MARY BETH BAILEY

MASSILLION CITY COUNCIL
CITY OF MASSILLON, OHIO
GLENN E. GAMBER, PRESIDENT

COUNCIL CHAMBERS

LEGISLATIVE DEPARTMENT

ORDINANCE NO. 42 - 2012

BY: COMMUNITY DEVELOPMENT COMMITTEE

TITLE: AN ORDINANCE authorizing the Mayor of the City of Massillon, Ohio, to enter into a development agreement with Habitat for Humanity of Greater Stark & Carroll Counties to utilize Neighborhood Stabilization Program (NSP) funding to build four new single family homes in the City of Massillon, and declaring an emergency.

Section 1:

This Council hereby authorizes the Mayor to enter into a development agreement with Habitat for Humanity of Greater Stark & Carroll Counties to utilize Neighborhood Stabilization Program (NSP) funding to build four new single family homes in the City of Massillon.

Section 2:

The Mayor of the City of Massillon is hereby authorized to enter into a development agreement with Habitat for Humanity of Greater Stark & Carroll Counties to utilize Neighborhood Stabilization Program (NSP) funding to build four new single family homes in the City. The total estimated project cost for the four new homes is \$255,000.00 (Two Hundred Fifty-Five Thousand Dollars). All proceeds from the sale of these homes will be used for additional housing projects in the City of Massillon.

Section 3:

This Ordinance is hereby declared to be an emergency measure immediately necessary for the preservation of the health, safety, and welfare of the community and for the additional reason that these dollars will be used to improve blighted areas in the City of Massillon. Provided it receives the affirmative vote of two-thirds of the elected members to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor. Otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

PASSED IN COUNCIL THIS 16th DAY OF April, 2012

APPROVED:

Mary Beth Bailey
MARY BETH BAILEY, CLERK OF COUNCIL

Glenn E. Gamber
GLENN E. GAMBER, PRESIDENT

ATTEST:

April 17, 2012

Katherine Catazaro-Perry
KATHERINE CATAZARO-PERRY MAYOR

I hereby certify that the foregoing ordinance is a true copy of the original, as passed by the Council of the City of Massillon, Ohio, and approved as noted thereon:

Mary Beth Bailey
Clerk of Council

Date 4/16/12



Habitat
for Humanity®
of Greater Stark &
Carroll Counties

2800 Leemont Ave. NW
Canton, OH 44709
Office: (330) 493-6500
Fax: (330) 493-6501
www.habitatstark.org

NEIGHBORHOOD STABILIZATION PROGRAM PROPOSAL

TO: THE CITY OF MASSILLON
(NEIGHBORHOOD STABILIZATION PROGRAM GRANTEE)

FROM: HABITAT FOR HUMANITY OF GREATER STARK & CARROLL
COUNTIES

RE: NEIGHBORHOOD STABILIZATION PROGRAM PROPOSAL

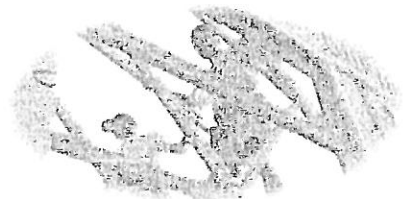
DATE: April 3, 2012

Introduction

Habitat for Humanity and NSP at the National Level

Habitat for Humanity International, Inc. ("Habitat") is a nonprofit housing organization that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Habitat Affiliates have built more than 250,000 houses around the world, providing more than 1 million people in more than 3,000 communities with safe, decent and affordable shelter. Habitat has over 1,500 Affiliates in the United States and we are represented in every state throughout hundreds of rural and urban communities. Each Habitat Affiliate is a separate non-profit corporation that is affiliated with Habitat through a standardized U.S. Affiliation Agreement. Through volunteer labor and donations of money and materials, Habitat Affiliates build and rehabilitate simple, decent houses with the help of the homeowner (partner) families. Habitat houses are sold to partner families at no profit and financed with 0 percent interest loans. The homeowners' monthly mortgage payments are used to build still more Habitat houses. Habitat is not a giveaway program. In addition to a down payment and the monthly mortgage payments, homeowners invest hundreds of hours of their own labor – sweat equity – into building their Habitat house and the houses of others.

*Building homes,
building hope,
building community*



The Neighborhood Stabilization Program ("NSP") was enacted as a part of P.L. 110-289, the Housing and Economic Recovery Act of 2008 (H.R. 3221) ("HERA"), which was signed into law on July 30, 2008. This one-time, emergency neighborhood stabilization funding will enable states and cities ("Grantees") to work with local nonprofits to acquire and rehabilitate abandoned, blighted and foreclosed homes, HERA provides \$3.92B to accomplish the following activities:

- Establish financing mechanisms for the purchase and redevelopment of foreclosed homes (including soft-second, loan loss reserves, and shared-equity loans for low-and moderate-income homebuyers).
- Purchase and rehabilitate properties that have been abandoned or foreclosed. Rehabilitation may include improvements to increase energy efficiency.
 - Establish land banks for homes that have been foreclosed.
 - Demolish blighted structures.
 - Redevelop demolished or vacant properties.

Habitat for Humanity and NSP at the local level

Habitat for Humanity of Greater Stark & Carroll Counties ("HFH") is a Habitat Affiliate and would like to partner with NSP Grantees to help implement the NSP program by utilizing the Habitat model. We have 20 years of experience in building and partnering with more than 330 low-income families. Each house is owner occupied immediately upon completion, adding to the property tax base for the city. We offer unique characteristics that fit the goals of the program:

- Our goal is to serve families up to 80% area median income ("AMI").
- We do not make a profit.
- We have a large pool of pre-approved partner families that are waiting on affordable homes.
- We have deep knowledge of the local housing market hardest hit by the current housing crisis.
- Habitat provides homebuyers with 0 percent seller financing.
- Habitat is the mortgage holder.
- Habitat has a proven track record of successfully administering CDBG funds in compliance with the program rules.

Habitat has partnered with the City of Massillon's NSP program in 2010 and 2011 to produce six new single-family homes in the Columbia Heights area. The recently completed NSP funded homes are located at 1116 Duncan SW, 1114 4th St SW, 1122 4th St SW, 1206 4th St SW, 1218 4th St SW, 1224 4th St SW.

NSP INFORMATION BY ACTIVITY

(1) ACTIVITY NAME:

Habitat for Humanity Home Ownership Construction

(2) ACTIVITY TYPE:

Grants will be provided to HFHGSCC pursuant to the Neighborhood Stabilization Program ("NSP") and P.L. 110-289, the Housing and Economic Recovery Act of 2008 (H.R. 3221) ("HERA") to provide funds for the following NSP activities:

- Redeveloping demolished or vacant properties.

(3) NATIONAL OBJECTIVE:

HFH currently serves individuals and families whose income does not exceed 60 percent AMI. In order to support Grantee in its compliance with Section 2301 (f) (3) (A) (ii) of HERA, the Habitat NSP Grant Program will ensure that the residential properties purchased, rehabilitated or redeveloped under this activity will be sold to individuals or families whose incomes do not exceed 60 percent AMI. HFH will support the continued affordability of each property to those purchasers by utilizing Habitat's unique 0 percent purchase money mortgage model. To ensure that each property purchased with NSP funds remains affordable to future purchasers, HFH will also incorporate affordability restrictions (as described below) into its sale and mortgage documents. Finally, HFH will reinvest all mortgage payments and shared appreciation revenue received from its partner families to provide funding to build more homes for Habitat partner families on the same mortgage terms.

(4) PROJECTED START DATE:

May 15, 2012

(5) PROJECTED END DATE:

January 31, 2013

(6) RESPONSIBLE ORGANIZATION:

Habitat for Humanity of Greater Stark & Carroll Counties (HFH)
2800 Leemont Ave. NW
Canton, Ohio 44709
(330) 493-6500
(330) 493-6501 (fax)

(7) LOCATION DESCRIPTION:

Habitat is proposing to build four (4) owner-occupied single family homes. To continue the NSP/Massillon/Habitat partnership in revitalizing the Columbia Heights area Habitat is proposing to build three more homes on 4th St SW between Isabella and McKinley SW; these will be on the west side of 4th St across from the NSP funded homes on the east side of 4th St SW.

- Site A: parcel 10002238 West side of 4th St SW
- Site B: parcel 10002239 West side of 4th St SW
- Site C: parcel 10002240 West side of 4th St SW

The fourth home is proposed to be built in the southeast, which is another area that we have been building in over the past five years.

- Site D: parcel 617274 North side of Beckman, east of 11th St SE

(8) ACTIVITY DESCRIPTION:

Habitat plans to build four (4) single family homes on the sites listed above, to be sold to Habitat partner families who earn less than 80% of the area median income.

Qualified families are already in our volunteer and home-owner training program and will be ready to purchase the homes immediately upon completion of the homes.

Habitat has the experience, workforce and other resources to assure the City that the project will be completed on schedule by January 31, 2013 in order to meet NSP regulations. The homes will be completed and sold at a price that is in compliance with NSP regulations.

Below is a summary of Habitat's mortgage terms for the new home owner:

- **No Interest Charged:** The mortgage financing that is provided will charge no interest.
- **First Mortgage Term:** The term of the mortgage will be at least 20 years and no more than 30 years unless a longer term is required by local real estate conditions to keep the house affordable.
- **Fully Amortizing First Mortgage Loans:** The loan secured by the mortgage will fully amortize over the set term of the mortgage.
- **Balloon Loans Prohibited:** Loans which require full payment before the end of term of the loan are prohibited.
- **Use of Habitat House:** The Affiliate shall require that the homeowner use the house as their principal/primary residence.

In order to maintain the continued affordability of the home, HFH will incorporate a right of first refusal in all mortgage documents. This allows HFH to retain the home as an affordable unit of housing, and can inhibit predatory lenders from gaining a controlling interest in the property. In addition, HFH will require the partner families to enter into an equity sharing second mortgage that will allow HFH to claim a percentage of the increase in the appreciation in the value of the home over and above the initial appraised value of the home and excluding capital improvements made to the home by the partner family. HFH's claim to the value of this "shared appreciation" of the home may only be exercised upon foreclosure, sale, transfer of title, or full payment or refinancing of the home or the first mortgage.

Our formula for shared appreciation is our 'silent' second mortgage. Recorded at the time of closing, this mortgage covers the difference between the appraised value of the home and actual selling price. Because of volunteer labor and donated or discounted materials and services, we are able to sell a home in most circumstances, for less than the appraised value. Each year, 5% of the amount of the second mortgage is forgiven, so at the end of 20 years, it is gone completely. If the homeowner decides to sell in the first 20 years, they are obligated by the terms of the mortgage, to pay whatever portion of the loan remains. For example, after 10 years, 50% of the loan has been forgiven and they would pay the remaining 50% to Habitat. The only time the loan requires payment is if title to the property changes hands.

All mortgage payments and shared appreciation proceeds received by HFH from these mortgages will be retained by HFH in a segregated account and will be used by HFH to provide funding to build more homes for Habitat partner families with 80% AML, on the same mortgage terms. This financing mechanism will further leverage the NSP funds and ensure the continued affordability of these homes pursuant to Section 230 (c) (3) (A) of HERA.

HFH is a HUD certified counseling agent. Already in place by the affiliate is a comprehensive training program incorporating many facets of education to help the applicant transition into a well prepared homeowner. The training consists of hands on training in home maintenance and repair, lawn care and mowing instruction, financial courses and individualized money mentorship, good neighbor relations, instruction on city ordinances along with classes on nutrition and meal planning, to name just a few of the components.

As timeliness in carrying out the proposed activities is of great importance, HFH's experience in local construction is a benefit as we presently work with certified appraisers, housing inspectors and other contractors such as demolition, environmental hazards mitigation contractors and other subcontractors associated with housing rehabilitation and construction. These support services and contractors will be made aware of the importance of producing the proposed housing units in a timely manner.

(9) TOTAL BUDGET

The following is HFH's proposed budget for NSP activities. This budget will enable us to keep our new homes affordable for families earning at or below 80% AMI while complying with applicable laws, codes and other requirements relating to housing safety, quality and habitability. Habitat's financing mechanism of 0 percent interest rate, no profit mortgages make homeownership affordable for families at this income level.

Our goals include not only to provide affordable housing in the short-term, but to also strategically incorporate modern, green building and energy-efficiency improvements in our NSP activities to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

PROPOSED BUDGET

SOURCES OF FUNDING

	NSP	HFH	Total
Construction	\$240,000	-0-	\$240,000
Developer fee	12,000	-0-	12,000
Land	-0-	42,600 in kind	42,600 in kind
TOTALS	\$252,000	\$42,600 in kind	\$294,600

(10) PERFORMANCE MEASURES:

The performance of the Activity will be measured as follows:

- The number of properties acquired, demolished and redeveloped.
- Income levels of each partner family will be provided to the Grantee to document compliance with the affordability component of this program within 30 days after the transfer of title on each house.