

DRAFT

**Community Development Technical Assistance  
Off-Site Assistance Report**

**PARTICIPATING JURISDICTION: Evanston, Illinois**

**COOPERATIVE AGREEMENT NUMBER: DCHM-001-04**

**PROJECT NUMBER: IL04.Evanston HO**

**Off-SITE ASSESSMENT: July 31 – Sept. 28, 2007**

**REPORT DATE: October 18, 2007**

**A. CONTACT INFORMATION**

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**D. BACKGROUND**

1. History of Technical Assistance Request

The HUD Chicago Regional Office contacted Dennison Associates in May 2007 to request an assessment of the Evanston (Illinois) Community Development Department’s (CDD) single family homeownership programs managed by the City. DA also was asked to assess the capacity of the Citizen’s Lighthouse Community Land Trust to produce affordable housing and address home foreclosures.

The Technical Assistance (TA) team was asked to gather information about Evanston’s homebuyer program by conducting telephone interviews with officials and staff of the Evanston Community Development Department (CDD), the Citizens Lighthouse Community Land Trust (CLCLT) and other CHDOs. DA was asked to use the information from the interviews to identify specific components for a prototype model homebuyer acquisition and rehab program that responded to conditions in the City of Evanston and the preferences of staff of CDD and of the CLTC.

The objectives of the overall CDTA Project included:

- Helping CDD develop preferences regarding the design a homebuyer acquisition and rehab program to reduce vacant and foreclosed properties;
- Providing the City and CLCLT with relevant program models; and
- Compiling the required program procedures, forms, mortgage instruments, subrecipient agreements, etc, necessary to implement such a homebuyer acquisition and rehab program.

2. Existing Programs

The City of Evanston currently finances homebuyer assistance, affordable housing rehabilitation and new development from the following public sources:

- 1) Home Investments Partnerships Program sources include: 2007 award \$532,809, program income \$299,488, prior year unexpended HOME funds \$1,503,709 for a total HOME fund balance of: \$2,336,006.
- 2) Affordable Housing Fund (financed from a special building demolition tax and an inclusionary zoning fee: New program – no significant capital generated to date.
- 3) CDBG Revolving Loan Fund (from single family owner rehab program): approx. 2007 capitalization: \$600,000

Since 1987 the city has operated a First-time Homebuyer's program administered by the Evanston Housing Corp. The program provides low interest flexible mortgages to low income homebuyers to acquire housing in the city. A five member bank consortium provides permanent mortgages to eligible low income homebuyers. The product combines a first mortgage at a competitive fixed rate for 30 years, plus a junior mortgage at 0% interest for 30 years and no payments for the first five years. This combination eliminates the need for Private Mortgage Insurance, and increases the amount of financing a borrower can qualify for because housing debt is calculated on the initial payments. At peak operation the First-time homebuyer program produced 6 -8 homebuyers per year but more recently production has been much lower according to the City employee who coordinates EHC activities.

In March 2007 the City created an Affordable Housing Fund that receives funding from two sources: a special demolition tax (\$10,000 per single family property; \$3,000 per multifamily unit) to raise funds when owners demolish buildings; and revenues generated by an inclusionary zoning ordinance that requires developers of twenty five or more units in a planned development to set-aside 10% of the units as affordable or to submit a "pay in-lieu-of fee" of \$40,000 for each foregone affordable unit

The city recently approved a Downpayment Assistance Program that will provide loans of up to \$30,000 for first-time homebuyers. The city also provides funding from the HOME Program to four Community Housing Development Organizations (CHDOs) that produce homeowner and rental housing throughout the city.

### 3. Summary of TA

The DA technical assistance team gathered program descriptions on Evanston's homebuyer assistance programs, reviewed the city's Five-Year Consolidated Plan, 2006/07 Annual Action Plan and the 2006 CAPER. DA also reviewed a proposed Vacant Building Loan Program as well as background material, applications, project proformas and loan documents. DA conducted six telephone interviews, three with city officials and three with Community Housing Development Organizations including the CLCLT.

According to the Chief of the City's Property Standards Division, the city has approximately 90 vacant residential structures, of which an undetermined number were foreclosures. There are approximately 12 more properties where foreclosure is pending. Most of this inventory is comprised of 1-2 unit properties with a small percentage of structures with 5-20 units. A number of these properties are owned by absentee owners and/or speculators hoping to realize substantial gains on the re-sale of these properties. Although real estate prices reached historic highs in recent years, the current real estate market has changed considerably from when these properties were acquired and residential property values have declined.

The CHDOs interviewed stated that building owners continue to hold vacant properties in anticipation of a high return. They also indicated that the cost of vacant properties exceeds \$100 per square foot making the acquisition and development of these properties as affordable housing infeasible. In the meantime the city continues to lose benefits from the productive use of these buildings, including lost tax revenues, and instead must cope with the social and economic impacts of vacant buildings dotting the city's landscape.

There is no comprehensive program to address the vacant housing. According to the City's Assistant Director of the Property Standards Division's, the Vacant Housing Loan Program has not been used extensively. City ordinances permit the condemnation and auction of vacant and abandoned properties. They also authorize boarding up and transferring the titles of vacant properties with extensive long-term code violations for unpaid back taxes, code violation fines and liens for expenses the city incurs in securing and maintaining vacant properties. The City's Property Standards Division's Assistant Director indicated these tools are seldom used because of the complexities encountered in determining ownership and obtaining clear title to these properties.

## **E. SUMMARY OF KEY OBSERVATIONS**

One option that has been employed by a number of cities and counties to acquire vacant abandoned properties is the formation of a land bank. The case studies DA reviewed indicate that land banks work best when there are a large number of vacant properties with tax delinquencies. The land bank concept offers some valuable insights on how to formulate local strategies for acquiring and developing vacant, substandard and/or abandoned properties. (See the attached land bank program paper that contains an overview of some of the methods land banks use to address title issues).

Although there are instances where the First Time Homebuyer Program and the CHDO housing development activities work together, the city's programs generally operate independently on a citywide basis. The City does not have a strategy to target resources to address vacant and abandoned buildings or to address foreclosures.

Interviews with the nonprofits pointed to seven critical issues that impede their ability to increase affordable housing production:

- 1) Potential housing sites are scattered making it difficult to achieve economies of scale and to leverage funding that is generally available to larger projects.
- 2) The high cost of residential property makes it difficult to acquire and rehabilitate housing that is affordable to low income buyers.
- 3) Different program rules and time frames for use of funds make it difficult to design projects with cohesive financing. This is especially the case when developing projects that combine financing from the City of Evanston and the Illinois Housing Development Administration (IHDA).
- 4) Vacant properties are difficult to purchase because the ownership is often unknown and/or the title issues are complex. Also vacant building owners appear to be unmotivated to sell their properties for development and lenders are disengaged from the needs of the city.
- 5) Foreclosures pose a problem, especially when a homeowner is too far along with mortgage delinquencies and/or have been prey to predatory lending that has consumed most or all of the equity in their home.
- 6) Condominium conversion is a primary form of affordable housing development in the city, however there are numerous snags in the acquisition and development process, different entities do not always work together cohesively and information about all of the requirements is not always available before undertaking a project. There are also new building code requirements that add significant time and cost to the conversion process.
- 7) Local opposition to any form of rental housing (including long-term lease purchase) limits the options for what can be done to finance the acquisition and redevelopment of vacant buildings.

## **F. SUMMARY OF KEY RECOMMENDATIONS**

### **1. Establish a Vacant Buildings & Substandard Structures Acquisition & Redevelopment Program**

- a) Establish a task force to study the issue of vacant and foreclosed housing in Evanston, to review the complexities of foreclosure and condemnation under existing local and state law, and recommend appropriate solutions.
- b) Dedicate sufficient financial resources to this issue. Expand the sources of revenue coming into the City's Affordable Housing Fund to include permit filing fees, transfer taxes as well as taxes and fines generated by stepped up code enforcement (recommended below) and the sale of vacant buildings.

Some additional recommendations based on our research include:

- ✓ Combine all existing programs dealing with rehabilitation of vacant structures under one program.
- ✓ Establish a vacant building registry ordinance that requires all owners of vacant structures to register them with the City Building Department and to submit a plan and a time table for occupancy in compliance with the city's zoning and land use ordinances.
- ✓ Use the existing code enforcement mechanism to require owners to bring vacant buildings up to code and eliminate all health & safety defects.
- ✓ Make it more costly to own a vacant structure for extended periods by substantially increasing the tax rates for long-term vacant buildings and increasing fines on vacant buildings that have code violations.
- ✓ Establish a judicial procedure that would provide for expedited foreclosure of tax delinquent and/or substandard properties and incorporate a "quiet title" procedure in the existing ordinance by amendment.
- ✓ Provide incentives to building owners to sell or develop their properties by establishing a loan program in partnership with a bank consortium for the acquisition and redevelopment of vacant buildings.
- ✓ Provide tax forgiveness as well as waiver of fines for building owners who sign an agreement with the city to redevelop the property as affordable housing (or mixed income housing) or agree to pay a fee into the Affordable Housing Fund.
- ✓ Provide gap financing from the Affordable Housing Fund to redevelop, rehabilitate and/or convert properties to condominiums.
- ✓ Encourage owners to sell properties to designated Community Housing Development Organizations at a discount sufficient enough to enable the property to be developed as affordable housing.
- ✓ Require new owners of transferred properties to submit new plans within a specific time frame or taxes, fines and liens remain attached to the property.
- ✓ Consider providing CHDOs pre-development funding to research the feasibility of acquiring and rehabilitating identified vacant structures, beginning with properties held by banks.
- ✓ Establish foreclosure prevention strategies that address the root cause of vacant buildings.

## **2. Combine Existing Homebuyer Assistance Programs into one Program**

The city employs several approaches in carrying out homebuyer assistance including: a newly introduced downpayment assistance program (DPA) for first-time homebuyers operated by the Community Development Department (CDD), and a first-time homebuyer program operated by the Evanston Housing Corp. (EHC). Although the formal DPA program is new, the city has for some time provided homebuyer assistance loans to EHC purchasers. There is also an "Abandoned and Boarded-up Building Loan Program" designed to assist low-income homebuyers to purchase one-two family vacant units. The city also provides downpayment assistance as deferred loans to low-income purchasers of CHDO developed properties. With the exception of the CHDO projects production has been relatively low.

There does not appear to be a direct linkage between downpayment assistance and the production of housing. The City should establish production goals for EHC's First-time Homebuyer program and the City's newly approved Downpayment Assistance Program, for the purpose of achieving increased production of affordable housing.

- **Key Components**

- ✓ Develop an acquisition/rehabilitation/resale program that would provide development subsidies to private non-profit housing organizations to acquire and renovate vacant properties as well as other available properties (including foreclosures). The potential homebuyer will receive the homebuyer education/counseling as required under the city's program guidelines.
- ✓ Instead of limiting eligibility to first-time homebuyers, expand program eligibility for homebuyer assistance to any low income family as long as the family meets income and other program occupancy requirements set forth by the city.
- ✓ Make sure the city's financing, resale and recapture policies are flexible enough to be compatible with those of IHDA and other lenders.
- ✓ Consider creating a lease-purchase program for low income families who cannot afford to purchase a home using conventional or subsidized mortgages. The lease-purchase program would allow low-income buyers up to three years to acquire properties. The city could use a nonprofit subrecipient (consider CLCLT) to administer the lease purchase program.

### **3. Foreclosure Prevention**

The Citizen's Lighthouse Community Land Trust (CLCLT) offers an excellent vehicle for the city to address the foreclosure of housing including the prevention of foreclosure through counseling and the refinancing of existing mortgages that are pending foreclosure. Because the foreclosure issue is too extensive and complex for one entity to address there should be a partnership formed between the city and CLCLT to address the issue. The Evanston Housing Corporation (EHC) is already considering a loan product to address foreclosure. However, EHC does not have a reliable partner to conduct the necessary research on properties at risk of foreclosure. The city should consider addressing foreclosure issues by establishing two program options under the Foreclosure Prevention Program; a mortgage refinancing program, and an acquisition and rehabilitation program (see attachment A for more details).

- **Key Components**

- ✓ Utilize CLCLT and/or EHC mortgage products to refinance remaining indebtedness and assist the homeowner in lieu of foreclosure.
- ✓ CLCLT or EHC would act as the nonprofit purchaser/developer of foreclosed properties.

- ✓ The CLCLT could acquire homes directly from homebuyers facing foreclosure prior to taking of the property by the bank, using HOME funds to subsidize costs to the new homebuyer.
- ✓ The CLCLT should explore utilizing the HUD 203k Rehab Loan program as an alternative financing resource.

Some additional recommendations based on our research include:

- ✓ CLCLT might consider focusing on acquiring, refinancing and renovating foreclosed residential properties. The disposition of the properties would depend upon the status of the outstanding mortgage loans and other liens and whether the existing mortgage holder is willing to entertain a discounted sale and/or refinancing of these properties. The status of the loan would also determine whether or not the existing mortgagor could remain in the home as owner/occupant or if the home would be sold to another low and moderate income family.
- ✓ EHC should explore developing a mortgage product containing terms and conditions that address the unique problems posed by home foreclosures.
- ✓ CLCLT would solicit participating banks willing to sell foreclosed properties at a discount sufficient to satisfy standard underwriting loan to value ratios.
- ✓ CLCLT would package financing in cooperation with mortgage note holders and EHC to make the acquisition and re-sale feasible.
- ✓ Provide tax incentives and waiver of fees to owners of foreclosed properties who voluntarily sell properties to CLCLT or EHC at a substantial discount.
- ✓ Establish a foreclosure counseling program to provide early intervention to families having difficulty paying their mortgages.
- ✓ Establish policies and procedures to provide relocation assistance consistent with the requirements of the Uniform Relocation Act for eligible families required to move as a direct result of a HOME or CDBG assisted activity.
- ✓ If HOME or CDBG funds are not used, sell the home on the open market and reinvest the proceeds in other affordable housing development projects.

## **G. NEXT STEPS**

This assessment report will be submitted to the HUD CPD Representative and the CDD Director for review and comment. Comments will be discussed via telephone conference calls.

- Follow-up with the CDD staff after receipt of reviews and comments on the assessment report.
- Distribute the final report to the City and to HUD.
- Submit a new work plan to the HUD Chicago Regional Office for Phase II of the technical assistance.
- The Phase I work plan included the following statement: “The Phase II Work Plan would cover the costs of helping CDD and CLCLT install and implement the prototype homebuyer acquisition and rehab program agreed to at the conclusion of Phase I.”

- As a result of the Phase one assessment the city has indicated the need to focus phase II on providing technical assistance to the city in developing a vacant housing acquisition, rehabilitation and resale program and a foreclosure prevention, rehabilitation and resale program. These programs would be inclusive of the efforts of CLCLT and other nonprofits working with the City of Evanston to implement its homeownership programs.

Signature \_\_\_\_\_

*Michael Doaks, Senior Analyst*

Date: \_\_\_\_\_

Attachment A: Model Programs – Case Studies

Attachment B: Overview of Evanston’s Existing & Proposed Homeowner Programs

Attachment C: Foreclosure Prevention Program Concept

Attachment D: Components of a Land Bank

**Attachment A Model Programs – Case Studies**

Program models are offered for four types of programs for the City of Evanston.

1. Direct Homebuyer Assistance
2. Acquisition of vacant properties for Rehabilitation & Resale
3. Community Land Trusts
4. Foreclosure prevention

Direct Homebuyer Assistance:	Program Components
<p>(1) Dallas, TX Innovative Mortgage Assistance Program Since 1991</p> <p>Funding:</p> <ul style="list-style-type: none"> <li>✓ HOME</li> <li>✓ ADDI</li> <li>✓ CDBG</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Up to \$12,000 in Downpayment Assistance to cover the down payment and closing costs of low income homebuyers</li> <li>✓ DPA provided as a 2<sup>nd</sup> mortgage</li> <li>✓ Mortgage is interest free</li> <li>✓ Mortgage must be repaid if home is sold prior to 8<sup>th</sup> full year of ownership as principal residence</li> <li>✓ Homebuyer must complete a free one week homebuyer counseling</li> <li>✓ Uses a line of credit to expedite timely funds for closing</li> <li>✓ Uses a lender consortium to make the mortgage loans</li> <li>✓ MOU governs operation of the program with participating partners: banks, title companies, home inspectors and counseling agencies</li> <li>✓ A certified home inspection demonstrating the property meets local code must be submitted with the loan package prior to closing</li> <li>✓ All borrowers must acknowledge receipt of two publication pertaining to lead based paint; (“Watch Out for Lead-Based Paint Poisoning” and “Protect Your Family from Lead in Your Home”)</li> <li>✓ 2<sup>nd</sup> loans are sold on the secondary market to Fannie Mae</li> <li>✓ Homebuyer assistance is “tiered” based on family income               <ul style="list-style-type: none"> <li>- 1<sup>st</sup> tier-Map1: limited to 1<sup>st</sup> time buyers earning no more than 80% of AMI. Maximum loan: \$5,000</li> <li>- 2<sup>nd</sup> tier-Map2: limited to 1<sup>st</sup> time buyers earning no more than 60% of AMI. Maximum loan: \$10,000</li> <li>- Neighborhood Investment Program: Targeted in 4 census tracts. Any buyer earning &lt; 80% of AMI. Maximum loan: \$12,000</li> </ul> </li> </ul>
	<p>Governance: City of Dallas, TX            Administration: Enterprise Dallas-Ft. Worth            Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 4,920 home loans closed between 1991-2005</li> <li>✓ Average of 40 loans closed per month</li> <li>✓ Expedited loan processing best achieved through a line of credit which is repaid from the city’s programs.</li> <li>✓ Homeowner education is critical to assuring long-term sustainability and foreclosure prevention</li> </ul>

Lease-Purchase	Program Components
<p>(2) Cleveland Housing Network's Lease Purchase Program Since 1981</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ Tax Credits</li> <li>✓ HOME</li> <li>✓ HUD Sec. 8 vouchers</li> </ul> <p>Operating costs: non specified</p>	<ul style="list-style-type: none"> <li>✓ CHN is a nonprofit that constructs, purchases, rehabilitates &amp; sells vacant homes city-wide that are geographically scattered</li> <li>✓ Program uses a number of techniques to create homeownership including HUD Sec. 8 vouchers, low income housing tax credits and the HOME lease-purchase program.</li> <li>✓ Program targets large numbers of housing through the FHA Asset Control Area program</li> <li>✓ Acquires properties from the city's land bank at reduced prices</li> <li>✓ The LIHTC approach is subsidized by the city to allow units to be rented for 15 years below market so that tenants can save.</li> <li>✓ After 15 yrs CHN buys the bldg from for profit owner</li> <li>✓ CHN then sells the units to the occupants</li> <li>✓ After 6 yrs of timely pmts. Tenant signs an "Option to Purchase" agreement</li> <li>✓ Tenants who resided in the unit for 10+ yrs are entitled to 100% of the equity (i.e., FMV minus purchase price).</li> <li>✓ Tenants who resided in the homes less than 10 years pay more for the unit.</li> <li>✓ Affordability: Tenants income is based on 1<sup>st</sup> yr. of occupancy. Therefore, incomes can increase without limit and still qualify to purchase.</li> <li>✓ Final sale price is based on 4 factors:             <ul style="list-style-type: none"> <li>- Remaining debt on property</li> <li>- Amt of cap. Improvement loans not to exceed \$5,000 per units</li> <li>- Any fees or repair costs</li> <li>- Title transfer fees</li> </ul> </li> </ul>

Community Land Trust	Program Components
<p>(3) Burlington, VT Community Land Trust (BCLT) Since 1984</p> <p>Funding:</p> <ul style="list-style-type: none"> <li>✓ Vermont Housing Finance Agency</li> <li>✓ Vermont Housing Finance Agency</li> <li>✓ Burlington Employee Retirement System</li> <li>✓ City of Burlington               <ul style="list-style-type: none"> <li>- HOME</li> <li>- CDBG</li> </ul> </li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Acquires vacant and foreclosed homes and converts to limited equity condominiums</li> <li>✓ Most properties are acquired through Burlington’s inclusionary zoning law which requires developers to set aside 10-20% of new homes developed as affordable for sale housing.</li> <li>✓ City has authority to sign its option to purchase inclusionary housing to BCLT or other “designated” nonprofit entity.</li> <li>✓ BCLT maintains the affordability of homes it purchases via a land lease for up to 99 years</li> <li>✓ BCLT develops rentals with the same basic ground lease structure</li> <li>✓ BCLT retains a preemptive option to repurchase any residential structures located on its land and any condo for which it holds an affordability covenant</li> <li>✓ The resale price is set by a formula contained in the ground lease</li> <li>✓ Homeowners may recoup their original downpayment, any equity earned from paying down the mortgage principal, and value of pre-approved home improvements. Homeowners are granted 25% of any appreciation in home value.</li> <li>✓ BCLT only acquires properties that sell at below market prices</li> <li>✓ A new lease is executed each time a property changes ownership</li> <li>✓ BCLT receives support from multiple funding sources and organizations including the State (Vermont Housing &amp; Conservation Board, City of Burlington, Vermont Housing Finance Agency, and Burlington Employee Retirement System.</li> <li>✓ BCLT has accumulated a diverse portfolio of both rental and homeowner housing</li> <li>✓ BCLT operates county-wide</li> </ul> <hr/> <p>Governance: Burlington, VT Community Land Trust (BCLT) Administration: Burlington, VT Community Land Trust (BCLT) Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ BCLT has assembled a portfolio of 144 detached homes, 6 duplex units, 230 condos and 125 cooperative units</li> <li>✓ BCLT has developed 384 rental units plus additional special needs housing for the homeless and disabled</li> <li>✓ BCLT has a staff of 35 and assets of \$26.8 million; annual budget of \$1.8 million</li> <li>✓ Important to build a critical mass of property holdings in order to build financial sustainability</li> <li>✓ BCLT’s initial success stemmed from its focus on revitalizing properties in one neighborhood enabling it to leverage community support, city, state and private sector funding.</li> </ul>

Foreclosure Prevention	Program Components
<p>(4) Chicago Homeownership Preservation Initiative (HOPI)</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ City of Chicago</li> <li>✓ Participating Banks make contributions</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Provides outreach, financial counseling and lender intervention to families facing foreclosure</li> <li>✓ Estab. a foreclosure prevention marketing campaign called “Every Minute Counts”</li> <li>✓ Uses faith-based organizations to conduct community outreach</li> <li>✓ Uses a 311 non-emergency hotline</li> <li>✓ Partners with Neighborhood Housing Services (NHS) a nonprofit counselor</li> <li>✓ 20 financial institutions agreed to participate in program</li> <li>✓ NHS advocates for the homeowner and tries to renegotiate the loan</li> <li>✓ If foreclosure is unavoidable NHS negotiates with the bank holding the mortgage for a discount sale to NHS so the property can be rehabbed and resold.</li> </ul> <p>Governance: City of Chicago</p> <p>Administration: City of Chicago &amp; NHS</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 1,300 foreclosures prevented</li> <li>✓ 4,326 families received counseling</li> </ul>

Program - Acquisition of Vacant Properties for Rehab & Resale	Program Components
<p>(5) Round Lake Beach, IL Housing Acquisition &amp; Rehab Program (HARP) – Lake Co. – created 2002</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ First State Bank line of credit</li> <li>✓ HOME Program</li> <li>✓ CDBG</li> <li>✓ AHTF</li> </ul> <p>Source Operating costs: non specified</p>	<ul style="list-style-type: none"> <li>✓ City staff operated</li> <li>✓ acquires, rehabs and sells vacant foreclosed residential properties</li> <li>✓ maintains a data base of foreclosures</li> <li>✓ Board prioritizes properties based on economics of the project and impact on the community</li> <li>✓ City partners with a realtor, banker and general contractor in maintaining the data base and handling sales.</li> <li>✓ The general contractor conducts a market value determination and an analysis of the physical condition and cost est.</li> <li>✓ Fund pays for interest on the property between acquisition &amp; sale.</li> <li>✓ First State Bank provides \$500,000 line of credit for acquisition &amp; rehab</li> <li>✓ City uses public funds to cover gap between sales price and dev. costs</li> </ul> <p>Governance: Round Lake Beach Village Board &amp; Lake Co. Housing Commission</p>

Program - Acquisition of Vacant Properties for Rehab & Resale	Program Components
	<p>Administration: Partnership between City of Round Lake Beach &amp; Affordable Housing Corp. (AHC) of Lake Co.</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ Low production – of 100 vacant homes identified only 11 completed between 2002 – 2005 (apprx. 3 per yr.) Footnote: partnership with AHC is expected to increase production to 6 units per yr)</li> <li>✓ Effort resulted in increased private investments in the community</li> <li>✓ Important to partner with surrounding county and local nonprofits</li> </ul>
<p>(6) City of Chicago Troubled Buildings Initiative (TBI) – Cook Co. – created 2006</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ \$1 million CDBG annually City of Chicago</li> <li>✓ \$1 million in corporate funds annually - CIC</li> </ul> <p>Operating costs: Not specified</p>	<ul style="list-style-type: none"> <li>✓ Property intake comes via referrals from a number of sources</li> <li>✓ Building Dept. inspects and enforces codes</li> <li>✓ Violations ref. to Law Dept. for prosecution</li> <li>✓ Continued failure of owner results in use of strategies to change ownership including using a court appointed receiver, transferring city liens to CIC for foreclosure, negotiating w lenders for sale of delinquent notes for foreclosure &amp; purchasing bldg for back taxes.</li> <li>✓ If CIC becomes new owner it redevelops the property as either for sale or rental housing.</li> <li>✓ Program expanded to target vacant buildings deemed deteriorated, unsafe, underutilized and open.</li> <li>✓ Vacant bldgs are secured and boarded up to prevent them from becoming a public safety nuisance.</li> </ul> <p>Governance: City of Chicago</p> <p>Administration: Primarily the City Building Dept. and the Dept. of Law, A nonprofit partner Community Investment Corp. (CIC) that bids on vacant properties, rehabs and sells them.</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ In 2006 1,183 units were recovered, 1,107 units rehabbed &amp; 686 under court ordered receivership</li> <li>✓ Initiative requires significant investments of time &amp; resources as well as interdepartmental coordination</li> </ul>
<p>(7) West Palm Beach, FL Model Block Program (Comprehensive &amp; strategic approach to address vacant housing)</p>	<ul style="list-style-type: none"> <li>✓ Provides loans &amp; grants to enable a nonprofit CDC to purchase, rehab and sell vacant housing</li> <li>✓ Provides targeted comprehensive development to one block areas</li> <li>✓ Reduces the number of vacant buildings &amp; absentee landlords,</li> <li>✓ Creates a more attractive market for homebuyers</li> </ul>

Program - Acquisition of Vacant Properties for Rehab & Resale	Program Components
<p>– created 1998</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ City of West Palm Beach</li> <li>✓ LISC provide \$575,000 predev for first 9 units</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ City improves public streetscape including paving, lighting &amp; landscaping</li> <li>✓ Building owners voluntarily agree to sell properties at a discount due to the cooperation of the city, banks and the opportunity to share in project profits</li> <li>✓ Participating banks provide flexible mortgage terms for low income buyers &amp; relax credit requirements</li> <li>✓ In return city provides a loan guarantee for 20% of the outstanding loan balance</li> </ul> <p>Governance &amp; Admin: City of West Palm Beach, Northwood Business Development Corp., &amp; LISC</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 9 homes acquired. Rehabilitated &amp; sold. 14 adjacent homes on the block received façade improvements. Streetscape improvements to entire city block.</li> <li>✓ Targeting resources to specific blocks has a greater impact on the community and increases economic investments by the private sector</li> <li>✓ City benefited from having a capable nonprofit, the cooperation of the property owner in this case and LISC to handle financing and negotiations</li> </ul>
<p>(8) Burlington, VT – Vacant Buildings &amp; Dangerous Structures Ordinance</p>	<ul style="list-style-type: none"> <li>✓ City Council adopted “Vacant Buildings &amp; Dangerous Structures Ordinance” in 1999</li> <li>✓ Mayor est. Vacant Bldg Committee in 1997 who drafted the Act</li> <li>✓ Committee comprised of 7 city depts.: DPW, Police, Fire, Planning, Zoning Commission, Economic Development, City Attorney.</li> <li>✓ Based on Cincinnati &amp; San Diego</li> <li>✓ Requires compliance w all bldg, life safety and zoning ordinances</li> <li>✓ All vacant &amp; dangerous bldgs are inspected. A search warrant is issued if owner is uncooperative</li> <li>✓ Inspector conducts survey and issues abatement order</li> <li>✓ If owner fails to comply city does the work and attaches lien, a daily fine is also exacted</li> <li>✓ City can also bring a “public nuisance action in Superior Court or criminal charges if warranted</li> <li>✓ Owners can appeal to DPW and then to Superior Court</li> <li>✓ Owners of vacant bldgs must obtain a permit and include a “Statement of Intent” addressing the expected duration of vacancy, a maintenance plan, and timetable for lawful occupancy, rehab or demo.</li> <li>✓ Even if bldg is brought up to code, a \$500 quarterly fee is exacted to cover expenses of the city for monitoring &amp; inspecting</li> <li>✓ Fee is waived if owner is actively marketing building for sale/occupancy.</li> <li>✓ If sold new owner must submit plans and timelines for rehab/occupancy</li> </ul>

<p>Program - Acquisition of Vacant Properties for Rehab &amp; Resale</p>	<p>Program Components</p>
	<p>Governance: City of Burlington, VT                  Administration: City of Burlington Dept of Housing, City Code Enforcement and City Attorney</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ Low production – vacant buildings reduced from 40 in 1999 to 12 in 2006</li> <li>✓ One home sold in a tax sale in 2006</li> </ul>

<p>Program - Acquisition of Vacant Properties for Rehab &amp; Resale</p>	<p>Program Financing Program Components</p>
<p>(9) Columbus, OH – Home Again Initiative                  Since 2006</p> <p>Funding: \$25 million Initiative</p>	<ul style="list-style-type: none"> <li>✓ 3,200 vacant homes inventoried in 2006</li> <li>✓ Enforcement via city attorney and public safety office (FT assistant city attny &amp; 1 full time code inspector)</li> <li>✓ Property is declared a “public nuisance</li> <li>✓ Prevention of foreclosure through emergency cash assistance and home repairs to homeowners to help families remain in homes</li> <li>✓ Relocation services to homeowners while home is being repaired</li> <li>✓ Acquisition &amp; rehab carried out by nonprofit Columbus &amp; Franklin County Affordable Housing Corp. (CFCAHC)</li> <li>✓ Demolition conducted by City Buildings Dept. on homes that cannot be salvaged. Demolition costs are assessed to property owner.</li> </ul> <p>Governance: City of Columbus, OH                  Administration: City &amp; CFCAHC</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 88 homeowners received emergency assistance to remain in their homes</li> <li>✓ 8 homes demolished</li> <li>✓ use of a capable private nonprofit developer enabled the expedited acquisition and development of abandoned properties</li> </ul>
<p>(10) Dallas, TX – Urban Land Bank                  Since 2002</p> <p>Funding: \$3 million property acquisition municipal bond                  Real Estate Council                  Foundation: \$250,000</p>	<ul style="list-style-type: none"> <li>✓ In 2002 Mayor appointed an Affordable Housing Tax Force (AHTF). AHTF recommended the establishment of an Urban Land Bank</li> <li>✓ Required special state legislation ( Texas Urban Land Bank Demonstration Act – HB 2801)</li> <li>✓ Bill gave city the authority to expedite the acquisition of vacant buildings (through foreclosure) of vacant tax delinquent properties.</li> <li>✓ Bill authorizes land bank to assemble parcels and sell them at below market prices to nonprofit and for profit affordable housing developers</li> <li>✓ City estab partnership with other taxing authorities to close the loop on tax delinquent properties (Dallas Independent School District, Dallas County Sheriff’s Ofc., Dallas County Tax Courts)</li> </ul>

Program - Acquisition of Vacant Properties for Rehab & Resale	Program Financing Program Components
	<ul style="list-style-type: none"> <li>✓ Title companies and law firms provide pro-bono services to clear titles and bring law suites against owners in violation of property law</li> </ul> <p>Governance: City of Dallas Administration: City of Dallas Land Bank Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 1,087 properties identified</li> <li>✓ 474 suites filed</li> <li>✓ 51 parcels purchased via foreclosure</li> <li>✓ 42 properties sold to CHDOs for redevelopment</li> <li>✓ Challenge has been the slow &amp; complex foreclosure and sale process and securing the involvement of the other taxing authorities</li> </ul>
<p>(12) Louisville, KY – Blight Busters Initiative Since 2006</p> <p>Funding: Not specified</p>	<ul style="list-style-type: none"> <li>✓ In the 1980s the Mayor of Louisville established the Louisville Vacant Property Review Commission and the Louisville Land Bank</li> <li>✓ Vacant &amp; boarded structures are taxed at a higher rate than other properties ( the “Abandoned Urban Property Tax”)</li> <li>✓ Derelict properties are taxed at 3X the rate of other properties</li> <li>✓ In 2006 the city developed a Comprehensive Housing Strategy</li> <li>✓ The Blight Busters Initiative came out of that strategy</li> <li>✓ Attacks vacant buildings on a block-by-block basis</li> <li>✓ Incorporates the cooperation of several city depts. including: Housing &amp; Community Development (lead agency), Planning &amp; Zoning, Development &amp; Codes, historic preservation office</li> <li>✓ Utilizes “spot-basis” condemnation to address vacant, boarded and derelict properties and to acquire &amp; preserve historic properties</li> <li>✓ Established a “Vacant Property Registration Program” to track properties and assure that owners carry out required rehabilitation or redevelopment plans approved by the Vacant Property Review Commission</li> </ul> <p>Governance: Louisville Vacant Property Review Commission</p> <p>Administration: Louisville Vacant Property Review Commission</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ Acquired and sold 4,000 blighted properties</li> <li>✓ Important that there is the political will to forge cooperation and accountability of public agencies to work together and get results</li> <li>✓ Important to impose high quality standards on any rehabilitation or redevelopment of acquired properties to assure that the cycle of property abandonment is not repeated.</li> </ul>

Program - Acquisition of Vacant Properties for Rehab & Resale	Program Financing Program Components
<p>(10) Savannah, GA– Urban Redevelopment Land Use Plan Since 1999</p> <p>Funding: HOME, CDBG, Local Tax Revenue, State of GA, Federal Home Loan Bank, Special Purpose Local Option Tax, Georgia Dept of Community Affairs, Federal Home Loan Bank</p> <p>A Bank Consortium provides loans to redevelop properties</p>	<ul style="list-style-type: none"> <li>✓ In 1999 the city established the Urban Redevelopment of Land Use Plan to address the redevelopment of vacant and abandoned properties</li> <li>✓ Program targets hard to acquire properties with murky titles and “heir” properties which have complex title issues.</li> <li>✓ City employs State Law (the Georgia Urban Redevelopment Law) to require the redevelopment of vacant parcels</li> <li>✓ Property owners may develop their own properties in accordance with the adopted plan for the site</li> <li>✓ City provides low interest loans as well as infrastructure improvements and green space improvements</li> <li>✓ Mercy Housing Southeast, the Paces Foundation and other nonprofits carry out housing development</li> <li>✓ The Community Housing Services Agency is comprised of a “consortium of banks” that provide acquisition &amp; construction loans to developers</li> </ul> <p>Governance: City of Savannah, GA Administration: Savannah Housing Dept. Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 150 vacant properties acquired and redeveloped as affordable housing</li> <li>✓ 500 units constructed (400 rental, 100 single family homeownership)</li> <li>✓ Backlash from property owners resulted in a new state law limiting the applicability of eminent domain</li> </ul>
<p>(11) Charles, SC – Homeownership Initiative Since 2000</p> <p>Funding: HOME, CDBG, Sec. 108 loans, local tax revenue (Economic Initiative Funds)</p>	<ul style="list-style-type: none"> <li>✓ City adopted redevelopment plan in 2000 which est. the Homeownership Initiative Program</li> <li>✓ Acquisition of abandoned properties &amp; small infill vacant lots</li> <li>✓ City acquires and sells to nonprofits for redevelopment as affordable housing</li> <li>✓ Nonprofit sells the rehabilitated homes to 1<sup>st</sup> time homebuyers</li> <li>✓ City accepts competitive bids for physically securing &amp; maintaining properties from the time they are acquired to when sold to nonprofit</li> <li>✓ Fire dept conduct regular inspections during vacancy</li> </ul> <p>Governance: City of Charleston, SC Administration: City of Charleston Dept of Housing &amp; Community Development Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ 82 homes acquired</li> <li>✓ 29 rehabs completed</li> <li>✓ 20 new homebuyers</li> <li>✓ The initiative has returned properties that were a drain on the economy to the tax rolls and increased the viability and capacity of nonprofit housing development organizations</li> </ul>

**Evanston, IL Existing & Proposed Program**

The City of Evanston currently finances homebuyer assistance, affordable housing rehabilitation and new development from the following public sources:

- 1) Home Investments Partnerships Program: 2007 award \$532,809, program income \$299,488, Prior year unexpended HOME funds \$1,503,709 total HOME: \$2,336,006.
- 2) Affordable Housing Fund (from demo tax and inclusionary zoning fee: New program – no significant capital generated to date
- 3) CDBG Revolving Loan Fund (from s.f. owner rehab program): approx. 2007 capitalization: \$600,000

Evanston Programs:	Program Financing Program Components
<p>(1) Downpayment Assistance Program</p> <p>Funding: Total Funding Commitment - \$300,000</p> <ul style="list-style-type: none"> <li>✓ HOME - \$185,000</li> <li>✓ Affordable Housing Fund - \$155,000</li> <li>✓</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Eligible homebuyers: First-time homebuyers</li> <li>✓ Homebuyer must produce a certification that family received counseling from certified homebuyer counseling agency</li> <li>✓ Property reqmts 1-2 units, condos, co-ops</li> <li>✓ Homebuyer must contribute 1.5% from personal savings and pay minimum of 3% toward downpayment and closing costs</li> <li>✓ Maximum Property value of home to be purchased: 2007: HOME funded homes: \$332,500; AHF: \$340,000</li> <li>✓ HOME to provide funding for 6 loans at \$30,000 maximum plus \$5,000 for administration</li> <li>✓ AHF to provide funding for 6 loans at \$25,000 maximum plus \$5,000 for administration</li> <li>✓ HOME: Income targeting: 80% AMI or less</li> <li>✓ AHF: Income targeting: 100% AMI or less</li> <li>✓ Income from assets included in above calculation</li> <li>✓ Loan underwritten to assure that debt-to-income ratio does not exceed 33% of monthly mortgage payments and 40% of total debt.</li> <li>✓ Max. assistance \$30,000 for low income families earning at or below 80% AMI</li> <li>✓ Max. assistance \$25,000 for low income families earning at or below 100% AMI</li> <li>✓ Terms: 0% interest forgivable 5 – 10 yrs.</li> <li>✓ LTV 98.5% (including DPA)</li> <li>✓ Interest only loans and balloon pmt loan not permitted</li> <li>✓ Adjustable loans permitted but cannot extend beyond affordability period</li> <li>✓ Affordability retention:             <ul style="list-style-type: none"> <li>- \$15,000 or less in assistance requires that family occupy home a principal residence for 5 yrs</li> <li>- \$15,000 – 30,000 in assistance requires that family occupy</li> </ul> </li> </ul>

<p>Evanston Programs:</p>	<p>Program Financing Program Components</p>
	<p>home a principal residence for 10 yrs</p> <ul style="list-style-type: none"> <li>✓ Lenders: Selected participating lenders</li> <li>✓ First mortgage lender must escrow property taxes</li> </ul> <hr/> <p>Governance: City of Evanston</p> <p>Administration: City indicated it may hire a contract employee (i.e., administer in-house) or contract with a nonprofit</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ New Program</li> </ul>
<p>(2) First-Time Homebuyer Program - Evanston Housing Corp. (EHC) Bank Consortium Since 1987</p> <p>Funding:</p> <ul style="list-style-type: none"> <li>✓ Bank Consortium</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Provides primary &amp; second mortgage loans to first-time homebuyers</li> <li>✓ A consortium of five banks (Citi Bank, Northern Trust Bank, Charter One, CHASE Bank, LaSalle Bank and Harris Bank) and City of Evanston</li> <li>✓ 1<sup>st</sup> mortgage Loan Terms: loan principal up to 80% of home value</li> <li>✓ 2<sup>nd</sup> mortgage - no pmts 1<sup>st</sup> 5 yrs &amp; 0% interest for next 25 years</li> <li>✓ LTV 97% (including DPA)</li> <li>✓ Eligible homebuyers: First-time homebuyers</li> <li>✓ Income targeting: up to 100%AMI</li> <li>✓ No homebuyer counseling required</li> <li>✓ Homebuyer must provide 1.5% down payment</li> <li>✓ No PMI</li> <li>✓ No waiting list</li> <li>✓ Partners with nonprofit developers who want to sell homes they develop using the EHC loan program</li> <li>✓ EHC board is considering expanding program to address the following: <ul style="list-style-type: none"> <li>- Expand beyond 1<sup>st</sup> time homebuyers</li> <li>- Address homeowners facing foreclosure</li> <li>- Homeowners facing foreclosure must have sufficient equity to be well within the 97% LTV limits of the program</li> <li>- Refinancing terms may be more flexible than existing loan terms (terms have not yet been formulated)</li> <li>- If debt exceed equity home would not be refinanced</li> </ul> </li> <li>✓ EHC board is not considering a “take-out financing” loan product (i.e., the purchase of a loan so that a property can be held pending resale to another buyer)</li> <li>✓ EHC currently has no functioning product to address this vacant buildings, need.</li> </ul>

Evanston Programs:	Program Financing Program Components	
	<p>Governance: Evanston Housing Corp. (EHC) Board – comprised of 6 participating lenders and 3 members appointed by the Mayor Administration: City staff person (Assistant Director, Property Standards Division)</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ Approx. 105 loans made since program inception</li> <li>✓ Between 6-8 loans closed per year</li> <li>✓ 0% default rate due the responsible nature of the program</li> </ul>	
<p>(3) Evanston Affordable Housing Fund (AHF) – created 2007</p> <p>Development costs:</p> <ul style="list-style-type: none"> <li>✓ <del>No seed money provided as capital infusion</del></li> <li>✓ Incorporated about \$150,000 from existing older Mayor’s Special Housing Fund</li> <li>✓ Demolition Ordinance Tax</li> <li>✓ Inclusionary Zoning Ordinance fees</li> </ul> <p>Source of Operating costs:</p> <ul style="list-style-type: none"> <li>✓ Absorbed in City staff costs - not broken out separately</li> </ul>	<p>Program Components</p> <ul style="list-style-type: none"> <li>✓ Established in March 2007</li> <li>✓ Est. to address rising cost of land and housing</li> <li>✓ The Demolition Tax and the Inclusionary zoning fees are paid into the Affordable Housing Fund (AHF). AHF is used for a number of affordable housing purposes including rental &amp; for sale housing, housing construction &amp; rehabilitation, downpayment assistance and demolition of vacant &amp; derelict properties. <ul style="list-style-type: none"> <li>- Demolition Tax Ordinance (requires building owners carrying out demolition to pay a fee of \$10,000 per single family structure - \$3,000 per unit for multifamily or \$10,000 whichever is greater</li> <li>- Inclusionary Zoning Ordinance (since 2007)– requires planned developments of 25 or more for sale housing units to set-aside 10% for affordable for sale housing or pay a fee-in-lieu of \$40,000 for each required affordable unit.</li> </ul> </li> <li>✓ Provides grants to for profit &amp; non profit developers/owners</li> <li>✓ Affordability rqmts imposed: eligible households are those earning no more than 100% of AMI.</li> <li>✓ Long term Affordability: Housing must be affordable in perpetuity or as long as allowed by law</li> <li>✓</li> </ul>	
	<p>Governance: City of Evanston Planning &amp; Development Committee of the City Council</p> <p>Administration: Community Development Dept.</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓</li> </ul>	<p>Footnote: The Affordability rqmts for the Inclusionary Zoning Ordinance requires that 75% of units be sold to persons &lt;100% of AMI &amp; 25% for persons &lt;80 % of AMI. Owners may seek a reduction in affordable units and/or the fee-in-lieu or provide an alternative method if evidence provided sufficiently demonstrates a financial infeasibility.</p>
(4) One & Two Family	<ul style="list-style-type: none"> <li>✓ The program is financed via a CDBG funded Revolving Loan Fund</li> </ul>	

<p>Evanston Programs:</p>	<p>Program Financing Program Components</p>
<p>Rehabilitation &amp; Demolition Loan Programs – CDBG Revolving Loan Fund Since 2005</p> <p>Funding: Current Capital \$600,000                  ✓ - \$000                  ✓</p> <p>Operating costs: not specified</p>	<p>(RLF) which assists low income households to make repairs and rehabilitate 1-2 unit houses. Except for the Abandoned and Boarded-up Building Loan Program and the Demolition Program assisted units must be owner occupied.</p> <ul style="list-style-type: none"> <li>✓ The One &amp; two family Rehabilitation Loan programs consists of several sub-programs five of which are the (1) Deferred Title Loan Program, (2) the Amortizing Loan Program and (3) the Condominium Assistance Program (4) Abandoned and Boarded-up Building Loan, (5) Demolition program</li> <li>✓ The after rehab value of any assisted structure cannot exceed the median single family home value as determine annually by the city for CDBG programs</li> <li>✓ The Deferred Title Loan Program permits households with income &lt;50% AMI to defer payment of the loan until the property is sold or transferred. Loans are limited to \$50,000.</li> <li>✓ The Amortizing Loan Program permits households with income &gt;50% to &lt;80% AMI to qualify for a 0% interest rate loan with a loan term that is the greater of 20 years or a payment equal to 50% of the household’s monthly expense/income ratio.</li> <li>✓ Owners of multifamily properties may receive an interest rate that equals one/half of the 30-yr Treasury bill. Loans terms are for 20 yrs.</li> <li>✓ The Condominium Assistance Program assists owner-occupants of condo units with income &gt;50% to &lt;80% AMI to rehabilitate the interior space and other areas determined not to be common areas within their units. Loans are limited to \$20,000 per units. 0% interest rate loan with a loan term that is the greater of 10 years or a payment equal to 50% of the household’s monthly expense/income ratio.</li> <li>✓ Abandoned and Boarded-up Building Loan Program assists purchasers of 1-2 unit abandoned and boarded-up properties to rehabilitate their properties. Properties must have been abandoned and/or boarded-up for at least six consecutive months.                         <ul style="list-style-type: none"> <li>- Loans limited to \$50,000 and amortized at 0% for 20 yrs</li> <li>- After rehab property must be occupied by low income household &lt;80% AMI</li> <li>- Rehab must be completed within one year or remaining balance must be repaid with interest = to ½ of 30 year Treasury Bond – 20 Yr. term</li> </ul> </li> <li>✓ The Demolition program provides funding to eliminate derelict 1-2 unit structures that pose a threat to public health and safety. Loan limited to \$15,000. Terms are the same as for the Deferred Title and Amortized Loan Programs.</li> </ul>
	<p>Governance: City of Evanston Administration: Community Development Dept. Housing, Property</p>

Evanston Programs:	Program Financing Program Components
	Standards Division  Accomplishments, Challenges & Lessons Learned: <ul style="list-style-type: none"> <li>✓ Program rehabilitates approx. 15 homes annually</li> <li>✓ The 2006/97 CAPER reported 93 outstanding loans with a year end balance of \$1.548 million.</li> </ul>
<p>(5) Vacant Building Loan Pilot Program - Proposed (Note: program was proposed but not approved by City Council)</p> <p>Funding: Total Funding Commitment - \$600,000</p> <ul style="list-style-type: none"> <li>✓ HOME - \$300,000</li> <li>✓ Affordable Housing Fund - \$300,000</li> <li>✓</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Program provides funding for the acquisition and rehabilitation of vacant residential buildings (i.e., single-family and multifamily structures)</li> <li>✓ Eligible developers: For profit or nonprofit developers</li> <li>✓ Eligible homebuyers: First-time homebuyers</li> <li>✓ Homebuyer must contribute 1.5% from personal savings and pay minimum of 3% toward downpayment and closing costs</li> <li>✓ Homebuyer must produce a certification that family received counseling from certified homebuyer counseling agency</li> <li>✓ Developer must complete one project before receiving funding for another project</li> <li>✓ Maximum of two properties can be developed by one entity at a time</li> <li>✓ Housing must require at least \$10,000 in rehab assistance</li> <li>✓ All properties must have a lead based paint risk assessment</li> <li>✓ HOME: Income targeting: 80% AMI or less</li> <li>✓ AHF: Income targeting: 100% AMI or less</li> <li>✓ Max. assistance \$200,000 per unit</li> <li>✓ Terms: 0% interest</li> <li>✓ 50% of the loan is due on sale to income-eligible buyer</li> <li>✓ Proceed from sale recycled into program to make future loans</li> <li>✓ Remaining subsidy left in the project to reduce cost to homebuyer</li> <li>✓ Affordability retention: <ul style="list-style-type: none"> <li>- 20 yrs, resale restricted to other low income buyers</li> </ul> </li> <li>✓ Goal: to acquire and rehab 6 vacant buildings (and sell units to low income homebuyers) in 2.5 yrs.</li> <li>✓ Terms: loan interest rate not specific</li> <li>✓ LTV 97%</li> <li>✓ Adjustable loans permitted but cannot extend beyond 5 yrs</li> <li>✓ Maximum sale price of rehabilitated units: <ul style="list-style-type: none"> <li>- Households income &lt; 80% AMI Single-family detached \$185,000 for</li> <li>- Households income &lt; 100% AMI Single-family detached \$200,000 for</li> </ul> </li> <li>✓ Developer fee 5 – 10% depending upon extent of rehab</li> </ul>
	<p>Governance: City of Evanston Administration: City of Evanston</p>

Evanston Programs:	Program Financing Program Components
	<p>Accomplishments, Challenges &amp; Lessons Learned:</p> <ul style="list-style-type: none"> <li>✓ Proposed program – not approved in present form</li> </ul>
<p>(6) Citizen’s Lighthouse Community Land Trust (CLCLT)</p> <p>Funding:</p> <ul style="list-style-type: none"> <li>✓ HOME</li> <li>✗ CDBG</li> <li>✓ Foundations, donations</li> </ul> <p>Operating costs: not specified</p>	<ul style="list-style-type: none"> <li>✓ Purpose is to acquire and develop housing that is affordable to low income households earning as much as 120% of AMI</li> <li>✓ Primary focus on households &lt;80% AMI</li> <li>✓ Terms: limit cost of housing to 30% of family’s monthly income</li> <li>✓ CLCLT <del>would apply to approaches</del> <u>wants to develop a strategy to reduce</u> foreclosed properties:             <ul style="list-style-type: none"> <li>- Acquire properties prior to foreclosure by negotiating with lenders and,</li> <li>- Acquire foreclosed properties on the open market and resell the properties back to their original owners</li> </ul> </li> <li>✗ <del>CLCLT sells the property back to the existing owner under better terms</del></li> <li>✓ CLCLT retains ownership of the land under a ground lease</li> <li>✓ CLCLT wants to be a resource for lenders that have properties about to go into foreclosure</li> <li>✓ CLCLT desires to explore various options such as using the CDBG Funds, financing a workout program that is structured for the types of foreclosure situations in the bank portfolios</li> <li>✓ CLCLT needs to elicit the cooperation of the city and lenders to forge a partnership to address the foreclosure problem</li> <li>✓ CLCLT desires to expand <del>beyond</del> <u>its ability to address</u> the foreclosure issue</li> <li>✓ CLCLT desires to become a housing developer and increase the supply of affordable units</li> <li>✗ CLCLC would like to acquire &amp; rehab a single family house each month <del>that is in foreclosure</del></li> <li>✓ <del>CLCLC’s board is primarily interested in acquiring &amp; developing affordable housing</del> <i>(repetitive. You could re-arrange some of these items also)</i></li> <li>✓ CLCLC <del>employs</del> <u>uses</u> a professional “advisor” who guides the director and the board regarding acquiring and redeveloping properties</li> </ul> <p>Governance: Citizen’s Lighthouse Community Land Trust Board Administration: Citizen’s Lighthouse Community Land Trust Staff</p> <p>Accomplishments, Challenges &amp; Lessons Learned:</p>

Evanston Programs:	Program Financing Program Components
	✓ Has acquire one foreclosed home to be rehabilitated and sold

City of Evanston: HOME Program Models

<b>RECOMMENDED PROGRAM MODELS</b>	
Program	<b>Foreclosure Prevention Program</b>
Background	<ul style="list-style-type: none"> <li>• Rising housing prices</li> <li>• Condo conversion trend in the city hard to compete with</li> <li>• Property owners are sitting on vacant properties</li> <li>• Council denied proposed Vacant Building Loan Program</li> <li>• Strong group of lenders and non-profit partners</li> <li>• Increase in foreclosure filings</li> <li>• Approximately 50 vacant properties (mostly 1-4 unit structures)</li> <li>• No cohesive strategy to address foreclosure and vacant buildings</li> </ul>
Linkages	<p>Tackling foreclosure should be part of a larger strategy to address the <i>root causes</i> of vacant buildings. This program should be linked to the city's overall strategy to address the foreclosure issue and vacant buildings throughout the city.</p> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <b>Foreclosure Prevention and Vacant Building Program</b> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 45%; text-align: center;"> <b>Foreclosure Prevention: 2 Options</b>                      1. Mortgage Refinancing                      2. ACQ &amp; Rehabilitation                 </div> <div style="border: 1px solid black; padding: 5px; width: 45%; text-align: center;"> <b>Vacant Building Loan Program</b>                      1. ACQ &amp; Rehab                      (See VBLP Model)                 </div> </div> </div>
Target	<ul style="list-style-type: none"> <li>• 117 Foreclosure filings in 2007 (to date)</li> <li>• Research portfolio of foreclosures to target zip codes/neighborhoods with highest prevalence of foreclosure filings</li> <li>• Single-family structures (1-4 units) – MF projects are too complex to address with current resources</li> </ul>
Requirements	Must meet HOME requirements: < 80% AMI, 221(d)3, affordability, etc.
Funding Sources	<ul style="list-style-type: none"> <li>• HOME</li> <li>• AHF</li> <li>• Program Income</li> <li>• Other – (e.g., State funding, FHLB, private bank-CRA, foundations)</li> </ul>
Objectives	<ul style="list-style-type: none"> <li># of Refinance cases per year</li> <li># of Acquisition and Rehab cases per year (as necessary)</li> </ul>
Recommended Partners	<p><u>Evanston Community Development Corporation</u></p> <ul style="list-style-type: none"> <li>• Faith Based organization focused on foreclosed properties on the west-side</li> <li>• Outreach and Intake capability</li> </ul> <p><u>Citizens Lighthouse Community Land Trust (CLCLT)</u></p> <ul style="list-style-type: none"> <li>• Offers counseling and refinancing of existing mortgages pending foreclosure</li> <li>• Development experience</li> <li>• Can serve as the acquisition and rehab agency</li> </ul> <p><u>Evanston Housing Coalition</u></p> <ul style="list-style-type: none"> <li>• Focused on vacant buildings already</li> <li>• Looking for inventory to get started</li> </ul> <p><u>Evanston Housing Corporation</u></p> <ul style="list-style-type: none"> <li>• Considering a loan product to address foreclosure issues (117 files in 2007)</li> </ul> <p><u>Housing Opportunity Development Corporation</u></p> <ul style="list-style-type: none"> <li>• Provides housing counseling to homebuyers (currently, County and City of Chicago)</li> <li>• Stable resource of eligible homebuyers</li> </ul> <p><u>Foreclosure Prevention Task Force</u></p> <ul style="list-style-type: none"> <li>• Group of neighborhood agencies</li> <li>• Can assist the city to identify eligible households (outreach and intake)</li> </ul>

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	<p><u>Lending Consortium</u></p> <ul style="list-style-type: none"> <li>• Consists of 7 banks</li> <li>• Promotes community reinvestment</li> <li>• Variety of loan packages lenders</li> </ul>
<p>Assistance Type</p>	<p><b>Refinancing:</b> See 203k or EHC/CLCTC mortgage products for financing structure</p> <p><b>ACQ &amp; Rehab:</b> 0% interest loan to developer up to \$200,000 per unit 50% of the loan due on sale to income eligible buyer – returned to the program to assist additional homeowners</p>
<p>Program Components (Structure)</p>	<p><u>Two Options:</u> (1) Refinancing; and (2) Acquisition and Rehab</p> <p><u>(1) Refinancing</u></p> <ul style="list-style-type: none"> <li>• The Foreclosure Assistance-Refinancing program should be implemented as a <b>proactive</b> strategy under the umbrella of a Vacant Buildings Initiative to address the properties and households prior to tax foreclosure and subsequent vacancy. The Vacant Building Loan Program would be the <b>reactive</b> strategy (acquiring properties once vacant). <b>Note:</b> To be HOME eligible refinancing must involve rehab.</li> <li>• Utilize HODC’s housing counseling program to provide counseling services during the refinancing process or as intervention assistance to prevent foreclosure. Counseling program would provide early intervention to families having difficulty paying their mortgages.</li> <li>• Customers would meet one-on-one with HODC staff to review their financial situation and create a working budget. Staff would communicate with lenders on behalf of the homeowner and help customers navigate the loan modification process. This would include referrals to EHC and CLCLT mortgage refinancing programs, as well as other participating lenders, and assistance in drafting hardship letters. HODC would receive referral fees for customers processed by either EHC or CLCLT.</li> </ul> <p><u>(2) Acquisition and Rehab</u></p> <ul style="list-style-type: none"> <li>• Utilize CLCLT, EHC or 203k loan products to refinance remaining indebtedness in lieu of foreclosure, <b>or</b> CLCTC (or another Non-profit developer) can acquire the property, with a financing commitment from the city, from the owner prior to foreclosure.</li> <li>• <b>Note:</b> if the property is acquired directly from the homeowner, the owner may be entitled to relocation benefits as a result of the acquisition (see <u>92.353</u> of the HOME final rule)</li> <li>• Properties acquired through this program can be resold by the Non-profit to an eligible homebuyer utilizing the 203k Rehab loan program with HOME subsidy from the city (if further subsidy is required), or additional loan products developed by EHC or CLCLTC. This would involve partnering with the lending consortium to offer FHA approved 203k loans. 203k Rehab Loan program can be utilized in the following ways:             <ol style="list-style-type: none"> <li>1. to purchase a dwelling and land and rehab it</li> <li>2. to purchase a dwelling on another site, move it, and rehab it</li> <li>3. to <b>refinance existing indebtedness</b> and rehab dwelling</li> <li>4. Minimum rehab of \$5,000</li> <li>5. If streamlined 203k - maximum of \$35,000 for rehab                 <ul style="list-style-type: none"> <li>• Must comply with energy standards and smoke detectors for each sleeping area</li> <li>• Mortgage must be first lien on property</li> <li>• Maximum mortgage calculation provisions</li> </ul> </li> </ol> </li> <li>• The non-profit would repay 50% of the original funding from the city upon sale</li> </ul>

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	<p>of the property to an eligible homebuyer. The other 50% (or less if feasible) would remain as a subsidy to the new homebuyer, lowering the overall purchase price.</p> <ul style="list-style-type: none"> <li>• If using the 203k mortgage option, HOME funds could be used in the form of a forgivable 0% loan to cover the cost of the rehab</li> <li>• CLCLT could also solicit participating banks willing to sell foreclosed properties at a discount sufficiently low enough to achieve standard underwriting ratios to make acquisition and resale feasible</li> <li>• Utilize Property Standards and Rehab division to inspect properties and develop cost estimates for rehab work.</li> <li>• CLCLT can either sell homes back to homeowner under better terms (if feasible) or assist the family with relocation and sell the home to a low-moderate income family (If HOME or CDBG funds are used)</li> </ul>
<p>Administration</p>	<ul style="list-style-type: none"> <li>• The program would be coordinated by the City of Evanston, utilizing pool of non-profits, CHDOs and other non-profit developers experienced with foreclosure programs and ACQ &amp; Rehab projects</li> </ul>
<p>Considerations</p>	<ul style="list-style-type: none"> <li>• Consider forming a Foreclosure Advisory Committee that would comprise lenders, banks, lawyers, local residents, city employees, and non-profit developers. Loans could be brought before the committee for approval.</li> <li>• Consider establishing a call-in (311) hotline to solicit calls from homeowners at the first sign of mortgage delinquency. Calls could be routed to HODC and ECDC.</li> <li>• HODC and ECDC could provide referrals to EHC or CLCLT for refinancing assistance.</li> <li>• ECDC could assist in promoting the call-in hotline during church service (see Chicago model – “Outreach Sunday”)</li> <li>• Acquiring properties directly from the homeowner in lieu of foreclosure will not resolve tax delinquencies or clear title defects, these still must be paid</li> <li>• Provide tax incentives and waiver of fees to owners of foreclosed properties who voluntarily sell properties to CLCLT or EHC at a substantial discount</li> </ul>
<p>Implementation Steps</p>	<p>Step 1: Meet with partners and establish a dialogue for the purpose of developing a cohesive strategy to address foreclosures</p> <p>Step 2: Work with lenders to review portfolio of loans in jeopardy of foreclosure</p> <p>Step 3: Establish program goals and objectives (may need to amend Action Plan)</p> <p>Step 4: Establish program procedures for counseling and refinance referrals</p> <p>Step 5: Establish outreach/marketing strategy to promote program</p>

## **Attachment D - Components of a Land Bank:**

**Definition:** A land bank is a governmental entity that focuses on the conversion of vacant, abandoned, and tax-delinquent properties into productive use. It is a response to a crisis in property tax delinquency and abandonment. The common goal of all land banks is conversion of abandoned tax-delinquent properties to productive re-use.

A redevelopment authority (sometimes called a land reutilization authority) is can operate very similar to a land bank. Redevelopment authorities carry out the acquisition, taking, sale and conversion of abandoned and vacant properties. Redevelopment authorities usually have the power of eminent domain and/or the power to issue tax-exempt financing.

Land banks address abandoned privately owned real property, not reclaimed or redeveloped by market forces. A land bank must be pragmatically designed to address the unique market and political circumstances of a specific community.

**Structure:** some land banks are housed within a city agency or department whereas in other cases they are separate quasi public-private entities. Staffing in either case could be existing city staff or separate staff hired to manage the land bank authority. Land banks generally must manage properties between the time they are acquired and re sold to a private or public entity for redevelopment.

**Source of properties:** Properties can come from a number of sources depending upon the purposes established for the land bank and local market conditions. Properties can be acquired for example from tax foreclosures, voluntary transfers from either private or public owners, market purchases, any type of property, improved or unimproved land.

**Focus:** Land banks engage in different land development activities depending upon local needs such as: holding significant property inventory until resale and redevelopment, emphasis on immediate transfer for redevelopment, fostering the development of affordable housing and facilitating the transfer of side-lots (i.e., side-lot program) to adjacent owners.

**Deciding to establish a land-bank:** In many communities, a combination of private market conditions and government policies can adequately handle the small numbers of properties that are acquired and transferred by local government. In these circumstances, the only justification for a land bank would be to have a separate public entity to acquire and “bank” properties for long-term strategic planning purposes. However, communities with a significant inventory of vacant and abandoned properties can rarely address this inventory adequately with existing programs and policies.

**Legislative Authority:** New legislation may be needed to reform state and/or local laws to compel the transfer of vacant and abandoned properties. The most common example is the reform of tax foreclosure laws to address long redemption periods, and conveyance of clear title. A community might consider a land bank when there is (i) a thin or weak

private market for acquisition and development and/or, (ii) existing local government laws and policies create barriers to the transfer of properties by local governments. A land bank can be designed to address a community's specific needs, such as strategic banking of properties for long-term planning or streamlining procedures for efficient transfer for new uses.

Five Common Obstacles that a land bank must address:

(1) Understanding the Inventory

- Before a comprehensive approach can be developed to address vacant and abandoned properties a system should be implemented for gathering accurate a reliable data on the extent and nature of the inventory.

Solution

- Develop an aggregate database that identifies properties according to key indicators of abandonment, For example:
  - Tax delinquency
  - Code violations
  - Delinquent water & sewer bills
  - Fires
  - Mortgage foreclosures
- Establish a vacant property inspection and registration program that requires all vacant properties meeting the criteria established by the city to be registered and inspected. The inspection report would list all code violations. The data base would include but not be limited to: owner's (names, addresses and phone numbers), various corporate ownerships, names and places of employment of the principles, management company (names, addresses and phone numbers), building age, size, type, property tax rate and amounts due or past due, proposed use if any, zoning designation, mortgage note holders, liens, water and sewer bills and any delinquencies, vacant or occupied, single family or multi-family, no. of separate units in structure or if separate structures, number of structures and size and number of units in each structure.

(2) Inadequate Foreclosure Laws

- Foreclosure laws may not provide an effective enforcement mechanism
- Title issues under many existing foreclosure laws is constitutionally problematic resulting in long delays to clear title for eventual transfer

Solution

- Local jurisdictions would need to reform tax foreclosure laws
- Create a judicial tax foreclosure proceeding
- Provide constitutionality in the process and adequate notice
- Shorten the time period for property acquisition
- Provide for sales with no minimum bids

- Mitigate the sale of tax liens to the private sector where the local government's interest are not adequately represented

### (3) Inadequate Code Enforcement Ordinance

- The typical legal limitations of most city code departments lies in the fact that code enforcement proceedings can be lengthy and protracted
- Code enforcement laws may be inadequate because they fail to provide for adequate notice as require by constitutional standards of due process

#### Solution

- The solution is to establish an administrative or judicial enforcement proceeding to force the owner to remedy the violations
- Also authorize the local government to make repairs and place a lien on the property
- An alternative to the above is to appoint a judicially appointed receiver to control and manage the property. A receiver provides immunity from liability removing one of the key factors that oftentimes cause local governments to be averse to taking control of private property.

### (4) Title Problems

- Residential properties that are vacant and or abandoned frequently lack clear title making the title unmarketable
- If property titles are not marketable it is usually not insurable making the property of little value to potential buyers
- By contrast commercial properties may be owned by multiple layers of single-asset limited partnerships that have been economically written off by the owner. These corporation become defunct or inactive with no viable address of record
- Properties that have been through previous tax foreclosure proceedings may not have involved a final judicial decree making it impossible to obtain title insurance.
- Although a local government could obtain title through foreclosure in these circumstances, it still could not likely convey the property to a third party because of the inherent title defects.
- Nuisance abatement liens having a lower priority to other claims such as mortgages, judgments ands other encumbrances.

#### Solution

- A tax foreclosure process that provides both a constitutionally adequate notice to all parties and a judicial decree on the validity of the foreclosure provides a unique opportunity to resolve all outstanding title defects.
- A valid foreclosure of this senior lien terminates the interests and claims of all other parties to the property.
- If a jurisdiction grants senior priority status to nuisance abatement liens, and similar judicial foreclosure proceedings apply, enforcement of the nuisance abatement lien can also provide clear title.

- Pass a law that makes the abatement & property tax liens and nuisance abatement liens superior to other liens

(5) Quiet Title

- Quiet title still must be achieved even after a judicial proceeding to legally clear title because property tax foreclosures are not designed to address all title problems.

Solution

- The most effective way to remove all title questions is to provide by law for an expedited procedure applicable solely to publicly held inventories of tax foreclosed properties. A quiet title action is a legal proceeding which seeks a judicial ruling on all claims against the property. A constitutionally adequate notice is given to interested parties of the opportunity to redeem the property from the tax lien. Failure of such redemption then vests clear title in the local government.

(6) Title Insurance

- In spite of all the procedural safeguards a community might employ to obtain clear title to tax delinquent and nuisance abatement properties, title insurance companies may be reluctant to provide title insurance for such properties.

Solution

- Involve the title insurance industry in the drafting of the legislation for revising foreclosure laws for delinquent taxes and nuisance abatement liens.

(7) Property Disposition

- Typically local laws place restrictions on the disposition of publicly held real property that may require a public auction, a determination of surplus property and/or a requirement that the government receive adequate consideration (i.e., market value). Depending on local market considerations and prevailing conditions this may not be advantageous to the disposition of foreclosed property nor in the best interest of the city.

Solution

- The enabling legislation for the land bank should specify that transfers from local governments to their land banks are intergovernmental transfers exempt from disposition requirements that apply to transfers to private parties.