
City of Columbus
Department of Development
Housing Division

Vacant Properties Rehabilitation Program

**Redevelopment for
Homeownership/
Lease-Purchase
Guidelines**

**Capital Bond Funds
Home Funds
NSP 1, 2, 3 Funds**

THE CITY OF
COLUMBUS
MICHAEL B. COLEMAN, MAYOR

DEPARTMENT OF
DEVELOPMENT

City of Columbus Department of Development Housing Division

Vacant Properties Rehabilitation Program Redevelopment for Homeownership/ Lease-Purchase Guidelines

CAPITAL BOND FUNDS

Purpose:

To redevelop residential homes and residential properties either for sale as homeownership opportunities or for short term lease purchase.

The City receives funds from the Columbus City Council in the Capital Improvements Budget.

The Developer will serve as the property owner in all homeownership or lease/purchase projects. The Developer will be required to sign the City of Columbus' developer agreement contracts and will be subject to the terms set forth therein.

The general guidelines for the program are as follows:

I. Geographic Information

All redevelopment projects must be located within the geographic boundaries of the identified funding source:

- Bond funded projects must be located within the city of Columbus and priority will be given to projects located in the City of Columbus' Neighborhood Investment Districts (NIDs).

II. Eligible Property

Any residential structure or lot within the geographic boundaries of the identified funding source that is:

- Vacant
- Single-family dwelling, which will serve as the principle residence of the prospective homeowner.

Priority will be given to developers who take control of the site(s) from the Land Bank.

III. Eligible Costs and Activities

- A. Rehabilitation and soft costs.
- B. New Construction with acquisition and soft costs.
- C. Rehabilitation or New construction for the purpose of sale thru lease with the option to purchase.
- D. Affordability subsidy financing for homebuyer.
- E. Eligible costs include, but are not limited to, the following:
 - Credit reports
 - Title reports and updates
 - Recordation fees
 - Preparation and filing legal documents
 - Appraisal
 - Attorney fees
 - Loan processing fees
 - Architectural fees
 - Engineering fees
 - Preparation of work write-ups/
cost estimates

Funds will be disbursed as a percentage of the construction costs. Receipts and documentation must be provided to verify costs. Lien Waivers may be required. *Construction must begin 120 days from the date of the developer agreement's signing.*

IV. Eligible Applicants

Non-profit and for-profit organizations are eligible to apply including Community Housing Development Organizations (CHDO). A non-profit certified as a CHDO can develop anywhere within their established boundaries.

- Columbus will also evaluate a development organization's proven track record of completing, financing and selling its proposed product.

V. Eligible Home Buyers

- A. For Bond funded projects, there is no income restriction for households.
- B. **Qualifying ratios:** Total housing expense (PITI) should not exceed 35 percent of household income and total debt service must not exceed 45 percent of the total monthly household income. Buy downs must be for the full term of the loan and financing must be *fixed rate only*. The City may consider higher ratios if the homebuyer can demonstrate to the City's satisfaction that the total mortgage payment will be able to be met.
- C. **The buyer must have \$500 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity.**
- D. **Mandatory 8 hours** of Homebuyer Education completed through a City of Columbus Certified Housing Counseling agency.

VI. Financing Guidelines

Financing may be a combination of Development Subsidy and/or Affordability Subsidy. The City may consider larger subsidy financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability need. Also, a minimum of \$1,000.00 in affordability gap subsidy is required as part of the project structure when there is a funding request for development subsidy. The City's preference is that the total subsidy does not exceed 221(d)(3) limits as established by HUD. Either type of subsidy can be used in the sale or lease purchase of a home.

- A. **Development Subsidy** is the difference between the development cost of the unit and the appraised value of the unit after construction or rehabilitation. The actual amount of subsidy is determined at the point of sale.
- B. **Affordability Subsidy** is the difference between the sales price of the home and the homebuyer's lender approved amount for a permanent mortgage. A licensed appraiser must determine the amount of the sales price.

C. Developer/Builder Forgivable Loans for Construction Financing

- 1. **Maximum Developer Loan Limits:** up to \$40,000 per unit may be loaned for the purpose of Development and Affordability subsidies. The City may consider larger gap financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability needs.
- 2. **Term:** Deferred interest and payments for 24 months
- 3. **Interest Rate:** Five percent (5.0%) interest will accrue and compound annually if the unit is not sold or leased with the option to purchase within the 24-month period to a qualified homebuyer. Extensions are available upon request and will be considered on a case by case basis.
- 4. **Repayment:** Repayment of the Development subsidy and or accrued interest will not be required at close of sale if the property is sold to an eligible buyer. If possible, partial re-use of some of the funds may be encouraged when the property is leased with the option to purchase, to an eligible lessee/buyer if private financing can be secured for the lease purchase period. Upon eventual sale, remaining financing that does not constitute development or affordability subsidy must be used by the Developer for other City approved projects.
- 5. **Bond funded projects do not have income restrictions for households.**

D. Qualified Homebuyer Forgivable Loans

- 1. **Maximum Homebuyer Assistance:** up to \$40,000. The City will consider on a case by case basis, the addition of other types of City funds including the American Dream Downpayment Initiative (ADDI).
 - 2. **Grant Term and Affordability Period:** 5 years
 - 3. **Repayment** will be forgivable if the end buyer resides in the unit until the expiration of the affordability period.
 - 4. **Interest Rate:** Zero percent (0) % per annum.
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E. Funding Review Committee

All projects will be reviewed by the Funding Review Committee (FRC). This committee is made up of City staff and will make recommendations on all projects requesting City funding. The FRC will make a final recommendation as to whether or not to give final approval for the project to proceed and the City to enter into a Development Agreement with said developer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the developer will be notified in writing.

VII. Restrictive Covenant

- All eligible homebuyers are to be informed that a Restrictive Covenant, Promissory Note, Loan Agreement and Mortgage must be executed for the repayment of funds to the Developer.
- The Restrictive Covenant is an agreement between the homeowner and the Developer that states that the homeowner will use the home as their primary residence for the full term of the affordability period.

Repayment is required if:

- A. The initial homeowner, prior to the end of the affordability/loan period as defined by the Note, sells the property. The outstanding principal balance will be due in full at the time of sale; or the initial homeowner ceases to occupy the property as an owner occupant. The outstanding Principal balance will be due in full once the original homeowner/recipient of capital funds assistance ceases to occupy the residence.
- B. If at the point of sale, as referenced in item (a) above, the net proceeds from the sale are not sufficient to repay the loan, the net proceeds will be divided proportionally based on the amount of capital investment and the homeowner investment.

VII. Additional Obligations for Funds

- A. Relocation Review: Applicant must obtain Seller/owner's acknowledgement of Fair Market Value before closing (a Notice of Acquisition) the Seller/owner's certification of no displacement.

B. Historic Review: Clearance from the City of Columbus Historic Review Officer. The rehabilitation must comply with Section 106 standards set by the Secretary of the Interior.

C. Environmental Review: Provide Phase I Environmental Site Assessment when applicable. The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes a Historic Preservation Review.

D. Homebuyer Education must be provided through a City of Columbus Certified Housing Counseling agency, which includes:

1. Counseling before the purchase of the property
2. 8 hour class
3. Assisting first-time buyers in identifying the most suitable and affordable properties
4. Providing homebuyers with financial management assistance
5. Assisting homebuyers in understanding mortgage transactions and home sales contracts
6. Assisting homebuyers with eliminating any credit problems that may prevent them from purchasing the property
7. Home maintenance training

A certificate of completion of the homebuyer education program must be submitted to the City prior to approval and expires one year from the date course was completed.

E. Lead-based Paint Hazards

Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.

F. Applicants that plan to undertake new construction or significant exterior renovation of a property must present their design plans to the area commission serving the neighborhood where the homes are located. Please notify the City when you

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- are scheduled to present and provide documentation from the area commission.
- G: The Developer will use its best efforts to afford minority and female owned business enterprises the maximum practicable opportunity to participate in the performance of this Agreement. As used in this Agreement, the term “minority and female owned business enterprise” means a business at least fifty-one (51%) percent owned and controlled by “minority group members” who are Women, African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans or American Indians. Developer may rely on written representations regarding their status as minority and female subcontractors in lieu of an independent investigation.

VIII. Process

- A: Applicant will complete a program application that describes the requested scope of work and provides complete information on the current operations, occupancy and financial information on the units.
- B. Applications will be reviewed and open issues clarified. A housing rehabilitation technician will conduct a site visit to review the proposed scope of work.
- C. The scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
- D. Funding request is submitted to the Funding Review Committee to review and recommend approval or denial.

- E. If necessary, the funding request will be approved by Columbus City Council.
- F. An agreement will be signed by the City and the Applicant. The Contractor will pull permits and begin work after a pre-construction conference is held.
- G. Contractor invoices must be approved by the Applicant and the Housing Division staff. Progress payment schedule will be established as part of the agreement and payment will be made directly to the Applicant.
- H: Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment.
- I. The Applicant will sell the unit within six months of completion to a qualified homebuyer. The buyer must be approved by Development Department Housing Division staff.

THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS FOR THIS PROGRAM AND ARE NOT MEANT TO BE ALL-INCLUSIVE

**The City of Columbus is an
Equal Opportunity Lender**

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**The funds for this program
are limited. As such, they
will be available on a first-come,
first served basis.**

City of Columbus Department of Development Housing Division

Vacant Properties Rehabilitation Program Redevelopment for Homeownership/ Lease-Purchase Guidelines

HOME FUNDS

Purpose:

To redevelop residential homes and residential properties either for sale as homeownership opportunities or for short term lease purchase.

The City receives funds from the U. S. Department of Housing and Urban Development (HUD) to conduct activities that are in compliance with the HOME Investment Partnership Program.

The Developer will serve as the property owner in all homeownership or lease/purchase projects. The Developer will be required to sign the City of Columbus' developer agreement contracts and will be subject to the terms set forth therein.

The general guidelines for the program are as follows:

I. Geographic Information

All redevelopment projects must be located within the geographic boundaries of the identified funding source:

- HOME funded projects must be located within the city of Columbus and priority will be given to projects located in the City of Columbus' Neighborhood Investment Districts (NIDs).

II. Eligible Property

Any residential structure or lot within the geographic boundaries of the identified funding source that is:

- Single-family dwelling, which will serve as the principle residence of the prospective homeowner.

Priority will be given to developers who take control of the site(s) from the Land Bank.

III. Eligible Costs and Activities

- A. Rehabilitation and soft costs.
- B. New Construction with acquisition and soft costs.
- C. Rehabilitation or New construction for the purpose of sale thru lease with the option to purchase.
- D. Affordability subsidy financing for homebuyer.
- E. Eligible costs include, but are not limited to, the following:

- Credit reports
- Title reports and updates
- Recordation fees
- Preparation and filing legal documents
- Appraisal
- Attorney fees
- Loan processing fees
- Architectural fees
- Engineering fees
- Preparation of work write-ups/
cost estimates

Funds will be disbursed as a percentage of the construction costs. Receipts and documentation must be provided to verify costs. Lien Waivers may be required. ***Construction must begin 120 days from the date of the developer agreement's signing.***

IV. Eligible Applicants

- A. Non-profit and for-profit organizations are eligible to apply including Community Housing Development Organizations (CHDO). A non-profit certified as a CHDO can develop anywhere within their established boundaries.
- Columbus will also evaluate a development organization's proven track record of completing, financing and selling its proposed product. Applications that include a mortgage pre-approved purchaser will be given priority.

V. Eligible Home Buyers

A. For HOME funded projects, households with incomes at or below 80% of the Area Median Income (AMI).

Note: Incomes adjusted for household size as established by HUD and include the income of all adult members of the household. Total household income is used when calculating annual gross income.

B. **Qualifying ratios:** Total housing expense (PITI) should not exceed 35 percent of household income and total debt service must not exceed 45 percent of the total monthly household income. Buy downs must be for the full term of the loan and financing must be fixed rate only. The City may consider higher ratios if the homebuyer can demonstrate to the City's satisfaction that the total mortgage payment will be able to be met.

C. **The buyer must have \$500 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity.**

D. **Mandatory 8 hours** of Homebuyer Education completed through a City of Columbus Certified Housing Counseling agency.

E. Single family properties must be sold for the lesser of appraised value or the cost of acquisition and development per HOME requirements.

VI. Financing Guidelines

Financing may be a combination of Development Subsidy and/or Affordability Subsidy. The City may consider larger subsidy financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability need. Also, a minimum of \$1,000.00 in affordability gap subsidy is required as part of the project structure when there is a funding request for development subsidy. The total subsidy may not exceed 221(d)(3) limits as established by HUD. Both types of subsidy can be used in the sale or lease purchase of a home.

A. Development Subsidy is the difference between the development cost of the unit and the appraised value of the unit after construction or rehabilitation. The actual amount of subsidy is determined at the point of sale.

B. Affordability Subsidy is the difference between the sales price of the home and the homebuyer's lender approved amount for a permanent mortgage. A licensed appraiser must determine the amount of the sales price.

C. Developer/Builder Forgivable Loans for Construction Financing

1. **Maximum Developer Loan Limits:** up to \$40,000 per unit may be loaned for the purpose of Development and Affordability subsidies. The City may consider larger gap financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability needs.
2. **Term:** Deferred interest and payments for 24 months. Completed homes must be sold within six months of completion.
3. **Interest Rate:** Five percent (5.0%) interest will accrue and compound annually if the unit is not sold or leased with the option to purchase within the 24-month period to a qualified homebuyer. Extensions are available upon request and will be considered on a case by case basis.
4. **Repayment:** Repayment of the Development subsidy and or accrued interest will not be required at close of sale if the property is sold to an income eligible buyer. If possible, partial repayment of some of the financing may be sought when the property is leased with the option to purchase, to an income eligible lessee/buyer if private financing can be secured for the lease purchase period. Upon eventual sale, remaining financing that does not constitute development or affordability subsidy must be repaid.

Repayment of the Principal and accrued interest is required if the property is not sold or leased on a short term basis (no more than three years) to an eligible lessee/homebuyer within the 24-months of the date of initial closing unless an extension is required and requested in writing of the Columbus Development Department Housing Division, or the unit is sold to a market rate buyer above 80% AMI depending, determined at the time that funds are committed. Principal and accrued interest will be due in full.

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5. Income eligibility of homebuyer will be determined by City of Columbus, Department of Development Housing Division personnel. The City must verify the buyer income eligibility for all sales and any lease purchase households that are not income qualified by the City may be income qualified through an approved management company. The developer will be required to repay all HOME funds in full for any home sold without City approval of the buyer's eligibility.

D. Income Qualified Homebuyer Forgivable Loans

1. Maximum Homebuyer Affordability Gap Loan Limits: up to \$40,000. The City will consider on a case by case basis, the addition of other types of City funds including the American Dream Downpayment Initiative (ADDI).
2. Loan Term and Affordability Period: 5 years for loans less than \$15,000; 10 years for loans \$15,000 to \$40,000; 15 years for loans of \$40,000 or more
3. Loans will be forgivable if the end buyer resides in the unit until the expiration of the affordability period.
4. Interest Rate: Zero percent (0) % per annum.

E. Funding Review Committee

All projects will be reviewed by the Funding Review Committee (FRC). This committee is made up of City staff and will make recommendations on all projects requesting City funding. The FRC will make a final recommendation as to whether or not to give final approval for the project to proceed and the City to enter into a Development Agreement with said developer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the developer will be notified in writing.

VIII. Restrictive Covenant

- All eligible homebuyers are to be informed that a Restrictive Covenant, Promissory Note, Loan Agreement and Mortgage must be executed.

- The Restrictive Covenant is an agreement between the homeowner and City of Columbus that states that the homeowner will use the home as their primary residence for the full term of the affordability period.

Repayment is required if:

- A. The initial homeowner, prior to the end of the affordability/loan period as defined by the Note, sells the property. The outstanding principal balance will be due in full at the time of sale; or the initial homeowner ceases to occupy the property as an owner occupant. The outstanding Principal balance will be due in full once the original homeowner/recipient of HOME assistance ceases to occupy the residence.
- B. If at the point of sale, as referenced in item (a) above, the net proceeds from the sale are not sufficient to repay the loan, the net proceeds will be divided proportionally based on the amount of HOME investment and the homeowner investment.

IX. Additional Obligations for Funds

- A. Relocation Review: Applicant must obtain Seller/owner's acknowledgement of Fair Market Value before closing (a Notice of Acquisition) the Seller/owner's certification of no displacement.
- B. Historic Review: Clearance from the City of Columbus Historic Review Officer. The rehabilitation must comply with Section 106 standards set by the Secretary of the Interior.
- C. Environmental Review: Provide Phase I Environmental Site Assessment when applicable. The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes a Historic Preservation Review.
- D. Homebuyer Education must be provided through a City of Columbus Certified Housing Counseling agency, which includes:

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1. Counseling before the purchase of the property;
 2. 8 hour class
 3. Assisting first-time buyers in identifying the most suitable and affordable properties;
 4. Providing homebuyers with financial management assistance;
 5. Assisting homebuyers in understanding mortgage transactions and home sales contracts;
 6. Assisting homebuyers with eliminating any credit problems that may prevent them from purchasing the property; and
 7. Home maintenance training.

A certificate of completion of the homebuyer education program must be submitted to the City prior to approval and expires one year from the date course was completed.

- E. Lead-based Paint Hazards
Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.
- F. Applicants that plan to undertake new construction or significant exterior renovation of a property must present their design plans to the area commission serving the neighborhood where the homes are located. Please notify the City when you are scheduled to present and provide documentation from the area commission.
- G. The Developer will use its best efforts to afford minority and female owned business enterprises the maximum practicable opportunity to participate in the performance of this Agreement. As used in this Agreement, the term "minority and female owned business enterprise" means a business at least fifty-one (51%) percent owned and controlled by "minority group members" who are Women, African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans or American Indians. Developer may rely on written representations regarding their status as minority and female subcontractors in lieu of an independent investigation.

X. Process

- A. Applicant will complete a program application that describes the requested scope of work and provides complete information on the current operations, occupancy and financial information on the units.
- B. Applications will be reviewed and open issues clarified. A housing rehabilitation technician will conduct a site visit to review the proposed scope of work.
- C. The scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
- D. Funding request is submitted to the Funding Review Committee to review and recommend approval or denial.
- E. An agreement will be signed by the City and the Applicant. The Contractor will pull permits and begin work after a pre-construction conference is held.
- F. Contractor invoices must be approved by the Applicant and the Housing Division staff. Progress payment schedule will be established as part of the agreement and payment will be made directly to the Applicant.
- G. Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment.
- H. The Applicant will sell the unit within six months of completion to an income qualified homebuyer. The income of the buyer must be approved by Development Department Housing Division staff. If a unit is not sold within six months of completion, current HOME rules require that the unit be converted to rental. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event.

THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS FOR THIS PROGRAM AND ARE NOT MEANT TO BE ALL-INCLUSIVE

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The funds for this program are limited. As such, they will be available on a first-come, first serve basis.

City of Columbus Department of Development Housing Division

Vacant Properties Rehabilitation Program Redevelopment for Homeownership/ Lease-Purchase Guidelines

NSP 1,2,3 FUNDS

Purpose:

To redevelop residential homes and residential properties that are vacant either for sale as homeownership opportunities or for short term lease purchase.

The City receives funds from the U. S. Department of Housing and Urban Development (HUD) to conduct activities that are in compliance with the Housing and Economic Recovery Act (HERA) of 2008, the American Recovery and Reinvestment Act of 2009 and Section 1497 of the Dodd-Frank Wall Street Reform and Consumer Protection Act: Additional Assistance for Neighborhood Stabilization Program.

The Developer will serve as the property owner in all homeownership or lease/purchase projects. The Developer will be required to sign the City of Columbus' developer agreement contracts and will be subject to the terms set forth therein.

The general guidelines for the program are as follows:

I. Geographic Information

All redevelopment projects must be located within the geographic boundaries of the identified funding source:

- NSP 1 funded projects must be located in Map 7 of the NSP 1 application (available online: http://finance.columbus.gov/uploadedFiles/Finance_and_Management/Financial_Management_Division/Grants_Management/City%20of%20Columbus%20NSP%20Application.pdf)
- NSP 2 funded projects must be located in census tracts identified in the Columbus Consortium NSP 2 application (available online: http://finance.columbus.gov/uploadedFiles/Finance_and_Management/Financial_Management_Division/Grants_Management/Columbus%20NSP2%20Application.pdf)

- NSP 3 funded projects must be located in maps located in the NSP 3 application (available online: http://finance.columbus.gov/uploadedFiles/Finance_and_Management/Financial_Management_Division/Grants_Management/NSP3%20Application%20FINAL%20for%20Public%20Comment%201%2019%2011.pdf)

II. Eligible Property

Any residential structure or lot within the geographic boundaries of the identified funding source that is:

- A. Vacant and
- B. Single-family dwelling, which will serve as the principle residence of the prospective homeowner. Priority will be given to developers who take control of the site(s) from the Land Bank.

III. Eligible Costs and Activities

- A. Rehabilitation and soft costs.
- B. New Construction with acquisition and soft costs.
- C. Rehabilitation or New construction for the purpose of sale thru lease with the option to purchase.
- D. Affordability subsidy financing for homebuyer.
- E. Eligible costs include, but are not limited to, the following:
 - Credit reports
 - Title reports and updates
 - Recordation fees
 - Preparation and filing legal documents
 - Appraisal
 - Attorney fees
 - Loan processing fees
 - Architectural fees
 - Engineering fees
 - Preparation of work write-ups/
cost estimates

Funds will be disbursed as a percentage of the construction costs. Receipts and documentation must be provided to verify costs. Lien Waivers may be required. Construction must begin 120 days from the date of the developer agreement's signing and must comply with the timelines provided by HUD for each NSP Program.

IV. Eligible Applicants

A. Non-profit and for-profit organizations are eligible to apply including Community Housing Development Organizations (CHDO). A non-profit certified as a CHDO can develop anywhere within their established boundaries.

Columbus will also evaluate a development organization's proven track record of completing, financing and selling its proposed product.

V. Eligible Home Buyers

A. For NSP 1, 2, 3 funded projects, households with incomes at or below 120% of the Area Median Income (AMI).

Note: Incomes adjusted for household size as established by HUD and include the income of all adult members of the household. Total household income is used when calculating annual gross income.

- B. Qualifying ratios: Total housing expense (PITI) should not exceed 35 percent of household income and total debt service must not exceed 45 percent of the total monthly household income. Buy downs must be for the full term of the loan and financing must be fixed rate only. The City may consider higher ratios if the homebuyer can demonstrate to the City's satisfaction that the total mortgage payment will be able to be met.
- C. The buyer must have \$500.00 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity.
- D. Mandatory 8 hours of Homebuyer Education completed through a HUD Certified Housing Counseling agency.
- E. Single family properties must be sold for the lesser of appraised value or the cost of acquisition and development per NSP 1,2,3 requirements.

VI. Financing Guidelines

Financing may be a combination of Development Subsidy and/or Affordability Subsidy. The City may consider larger subsidy financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability need. Also, a minimum of \$1,000.00 in affordability gap subsidy is required as part of the project structure when there is a funding request for development subsidy. Total subsidy may not exceed 221(d)(3) limits as established by HUD. Either type of subsidy can be used in the sale or lease purchase of a home.

- A. Development Subsidy is the difference between the development cost of the unit and the appraised value of the unit after construction or rehabilitation. The actual amount of subsidy is determined at the point of sale.
- B. Affordability Subsidy is the difference between the sales price of the home and the homebuyer's lender approved amount for a permanent mortgage. A licensed appraiser must determine the amount of the sales price.
- C. Developer/Builder Forgivable Loans for Construction Financing
1. **Maximum Developer Loan Limits:** up to \$40,000 per unit may be loaned for the purpose of Development and Affordability subsidies. The City may consider larger gap financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability needs.
 2. **Term:** Deferred interest and payments for 24 months
 3. **Interest Rate:** Five percent (5.0%) interest will accrue and compound annually if the unit is not sold or leased with the option to purchase within the 24-month period to a qualified homebuyer. Extensions are available upon request and will be considered on a case by case basis.
 4. **Repayment:** Repayment of the Development subsidy and or accrued interest will not be required at close of sale if the property is sold to an income eligible buyer. If possible, partial repayment of some of
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the financing may be sought when the property is leased with the option to purchase, to an income eligible lessee/buyer if private financing can be secured for the lease purchase period. Upon eventual sale, remaining financing that does not constitute development or affordability subsidy must be repaid.

Repayment of the Principal and accrued interest is required if the property is not sold or leased on a short term basis (no more than three years) to an eligible lessee/homebuyer within the 24-months of the date of initial closing unless an extension is required and requested in writing of the Columbus Development Department Housing Division, or the unit is sold to a market rate buyer above 120% AMI, determined at the time that funds are committed. Principal and accrued interest will be due in full.

5. Income eligibility of homebuyer will be determined by City of Columbus, Department of Development Housing Division personnel. The City must verify the buyer income eligibility for all sales and any lease purchase households that are not income qualified by the City may be income qualified through an approved management company. The developer will be required to repay all NSP 1,2,3 funds in full for any home sold without City approval of the buyer's eligibility.

D. Income Qualified Homebuyer Forgivable Loans

1. Maximum Homebuyer Affordability Gap Loan Limits: up to \$40,000. The City will consider on a case by case basis, The addition of other types of City funds including the American Dream Downpayment Initiative (ADDI).
2. Loan Term and Affordability Period:
5 years for loans less than \$15,000;
10 years for loans \$15,000 to \$40,000;
15 years for loans of \$40,000 or more

3. Loans will be forgivable if the end buyer resides in the unit until the expiration of the affordability period.
4. Interest Rate: Zero percent (0) % per annum.

E. Funding Review Committee

All projects will be reviewed by the Funding Review Committee (FRC). This committee is made up of City staff and will make recommendations on all projects requesting City funding. The FRC will make a final recommendation as to whether or not to give final approval for the project to proceed and the City to enter into a Development Agreement with said developer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the developer will be notified in writing.

VIII. Restrictive Covenant

- All eligible homebuyers are to be informed that a Restrictive Covenant, Promissory Note, Loan Agreement and Mortgage must be executed.
- The Restrictive Covenant is an agreement between the homeowner and City of Columbus that states that the homeowner will use the home as their primary residence for the full term of the affordability period.

Repayment is required if:

- A. The initial homeowner, prior to the end of the affordability/loan period as defined by the Note, sells the property. The outstanding principal balance will be due in full at the time of sale; or the initial homeowner ceases to occupy the property as an owner occupant. The outstanding Principal balance will be due in full once the original homeowner/recipient of NSP assistance ceases to occupy the residence.
 - B. If at the point of sale, as referenced in item (a) above, the net proceeds from the sale are not sufficient to repay the loan, the net proceeds will be divided proportionally based on the amount of NSP investment and the homeowner investment.
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IX. Additional Obligations for Funds

- A. Relocation Review: Applicant must obtain Seller/owner's acknowledgement of Fair Market Value before closing (a Notice of Acquisition) the Seller/owner's certification of no displacement.
- B. Historic Review: Clearance from the City of Columbus Historic Review Officer. The rehabilitation must comply with Section 106 standards set by the Secretary of the Interior.
- C. Environmental Review: Provide Phase I Environmental Site Assessment when applicable. The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes a Historic Preservation Review.
- D. Homebuyer Education must be provided through a HUD Certified Housing Counseling agency, which includes:
 - 1. Counseling before the purchase of the property;
 - 2. 8 hour class
 - 3. Assisting first-time buyers in identifying the most suitable and affordable properties;
 - 4. Providing homebuyers with financial management assistance;
 - 5. Assisting homebuyers in understanding mortgage transactions and home sales contracts;
 - 6. Assisting homebuyers with eliminating any credit problems that may prevent them from purchasing the property; and
 - 7. Home maintenance training.

A certificate of completion of the homebuyer education program must be submitted to the City prior to approval and expires one year from the date course was completed.

- E. Lead-based Paint Hazards
Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.

- F. Applicants that plan to undertake new construction or significant exterior renovation of a property must present their design plans to the area commission serving the neighborhood where the homes are located. Please notify the City when you are scheduled to present and provide documentation from the area commission.
- G. The Developer will use its best efforts to afford minority and female owned business enterprises the maximum practicable opportunity to participate in the performance of this Agreement. As used in this Agreement, the term "minority and female owned business enterprise" means a business at least fifty-one (51%) percent owned and controlled by "minority group members" who are Women, African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans or American Indians. Developer may rely on written representations regarding their status as minority and female subcontractors in lieu of an independent investigation.

X. Process

- A. Applicant will complete a program application that describes the requested scope of work and provides complete information on the current operations, occupancy and financial information on the units.
 - B. Applications will be reviewed and open issues clarified. A housing rehabilitation technician will conduct a site visit to review the proposed scope of work.
 - C. The scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
 - D. Funding request is submitted to the Funding Review Committee to review and recommend approval or denial.
 - E. An agreement will be signed by the City and the Applicant. The Contractor will pull permits and begin work after a pre-construction conference is held.
 - F. Contractor invoices must be approved by the Applicant and the Housing Division staff. Progress payment schedule will be established as part of the agreement and payment will be made directly to the Applicant.
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- G. Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment.
- H. The Applicant will sell the unit within six months of completion to an income qualified homebuyer. The income of the buyer must be approved by Development Department Housing Division staff.

THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS FOR THIS PROGRAM AND ARE NOT MEANT TO BE ALL-INCLUSIVE

The City of Columbus is an Equal Opportunity Lender
PHONE (614) 645-7277 FAX (614) 645-6675

The funds for this program are limited. As such, they will be available on a first-come, first served basis.
