
City of Columbus
Department of Development
Housing Division

Vacant Properties Rehabilitation Program

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

Old Oaks

THE CITY OF
COLUMBUS
MICHAEL B. COLEMAN, MAYOR

DEPARTMENT OF
DEVELOPMENT

City of Columbus Department of Development Housing Division

Vacant Properties Program

Old Oaks Pilot Homeownership Program

CDBG AND CAPITAL BOND FUNDS

Purpose:

To redevelop residential homes and residential properties in the Old Oaks Historic District as homeownership opportunities.

The City receives funds from the Department of Housing and Urban Development as part of the annual allocation of Community Development Block Grant Funds (CDBG) and Columbus City Council in the Capital Improvements Budget.

The homebuyer will serve as the property owner in all homeownership projects. The homebuyer will be required to sign the City of Columbus' agreements and will be subject to the terms set forth therein

The general guidelines for the program are as follows:

I. Geographic Information

All homes will be located in the Old Oaks Historic District as defined in Ordinance 2324-86. The Boundaries: Beginning at the intersection of Granger Alley and Mooberry Street; proceeding east to the intersection of Kimball Place; proceeding south to the first alley; proceeding east to the eastern property lines of properties facing Kimball Place; proceeding south to Will Alley; proceeding west to Granger Alley and then north to the starting point.

- All sites are located in the City of Columbus' Neighborhood Investment District E, South of Main.

II. Eligible Property

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

- Vacant – currently not occupied by anyone. Documentation of vacancy must be provided with the application. Prior-

ity will be given to structures that have recently or will change ownership.

- 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. Acquisition and soft costs.
- C. Affordability subsidy financing for homebuyer.
- D. 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 depending on the other financing in the project:

- A. For projects that secure FHA 203(k) financing, the funding will be deposited into the construction account for the home when the 203(k) loan closes and draws will be permitted as approved construction is completed.
 - B. For projects with conventional financing, the funding 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 90 days from the date of the homebuyer agreement's signing.*
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IV. Eligible Applicants

Mortgage approved homebuyers who need additional financing beyond what the mortgage approval provides to complete an historically appropriate rehabilitation of a home in the Old Oaks Historic District

V. Eligible Home Buyers

Eligible Home Buyers

- A. Households at or below 80% of the Area Median Income (AMI) will receive CDBG funding. Households above 80% AMI will receive capital funding.
- 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. 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. **All buyers must have a minimum of \$500 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity. Higher income buyers will be expected to contribute more to 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. The use of CDBG funds requires that the total subsidy does not exceed 221(d) (3) limits as established by HUD and that the amount of down payment assistance not exceed 50% of the amount needed. If additional funds are needed for these categories, a supplemental award of Capital Funds will be considered. 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 rehabilitation. The actual amount of subsidy is estimated at the time of sale by using an as improved appraisal.

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 Awards for Construction Financing

1. Maximum Homebuyer Award Limits:

- For Households with incomes at or below 80% AMI, the cost of 100% of the exterior rehabilitation and 100% of the interior rehabilitation after the borrower has demonstrated that they have borrowed the highest approved amount
- For Households with incomes above 80% AMI but not exceeding 120%, the cost of 100% of the exterior rehabilitation and 90% of the interior rehabilitation after borrower has demonstrated that they have borrowed the highest approved amount.
- For Households with incomes above 120% AMI, the cost of 100% of the exterior rehabilitation with no funding for the interior rehabilitation.

2. **Term:** Rehabilitation work must be completed within 12 months of the funding agreement date.

3. **Repayment:** Funds will be awarded to homebuyers as grants with the understanding that the homebuyer will file a restrictive covenant requiring five (5) years of occupancy as a homeowners or full repayment of City funding.

D. Qualified Homebuyer Grants

1. Grant Term and Occupancy Period: 5 years
 2. No Repayment will be required if the end buyer resides in the unit until the expiration of the affordability period.
 3. Interest Rate: Zero percent (0) % per annum.
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4. The City reserves the right to provide other financing such as funding from the American Dream Downpayment Initiative (ADDI) which is offered in the form of a forgivable loan.

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 an agreement with the Homebuyer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the Homebuyer will be notified in writing.

VII. Restrictive Covenant

- All eligible homebuyers must agree that a Restrictive Covenant will be filed.
- The Restrictive Covenant is an agreement between the homeowner and the City that states that the homeowner will use the home as their primary residence for the five year affordability period.

Repayment is required if:

- A. The initial homeowner, prior to the end of the affordability/loan period as defined by the Restrictive Covenant, sells the property. The city funding will be due in full at the time of sale; or the initial homeowner ceases to occupy the property as an owner occupant. The City funding will be due in full once the original homeowner/recipient of CDBG and/or 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.

VIII. 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 and a Certificate of Appropriateness must be obtained from the Historic Resources Commission.
- C. **Environmental Review:** Provide Phase I Environmental Site Assessment when applicable. For CDBG funds, 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; 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.

X. Process

- A. Homebuyer 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. For homebuyers not utilizing an FHA 203(k) loan, a housing rehabilitation technician will conduct a site visit to review the proposed scope of work. For those homebuyers not utilizing an FHA 203(k) loan, the scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
- C. For homebuyers utilizing an FHA 203(k) loan, the scope of work determined by the 203 (k) lender and consultant must be submitted.
- 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 Contractor.
- H. Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment. The City will conduct a Decent, Safe and Sanitary (DS&S) Inspection as part of the final sign off process.
- I. The Applicant will remain in the unit as a principal residence for five years per the Restrictive Covenant filed as a condition of the funding

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.
