

# Action Plan

**Grantee:** Pontiac, MI

**Grant:** B-11-MN-26-0009

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**Grant Amount:** \$ 1,410,621.00

**Status:** Reviewed and Approved

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## Funding Sources

**No Funding Sources Found**

## Narratives

### Summary of Distribution and Uses of NSP Funds:

In reviewing the eligible activities of the Neighborhood Stabilization Program, the City went back to the goals of the City's Consolidated Plan 2005-2010 and looked at how these eligible activities fit into the City's Plan. Based on the needs identified in the City's Consolidated Plan and FY2010 Annual Plan, the City has identified the following budget for the allocation of NSP Funds.

Total Allocation: \$1,410,621

Administration: \$141,062 - Allowable 10% for the administration of the program including staff salaries and fringes, and other supplies.

Eligible Use B - Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or develop such homes and properties - \$1,269,559. Of the \$1,269,559, \$352,657 will be used for the 25% Set Aside to provide affordable housing opportunities for households with incomes at 50% or below of area median income. With these funds, the City will acquire and rehabilitate 13 homes - 3 homes for households at 50% or below and 10 homes for households with incomes up to 120% of area median income.

The City, working through a developer, will acquire 13 vacant, foreclosed upon single family homes in the identified target area. Each of the homes will be rehabilitated and brought up to code, made energy efficient and then sold or rented to income eligible households as the market allows.

### How Fund Use Addresses Market Conditions:

An effective NSP3 program responds to and reflects the local market conditions. The following were those factors taken into account while analyzing the target areas market conditions:

- Analyze market supply conditions as they relate to foreclosed and abandoned homes in the target neighborhoods.
- Understand the demand characteristics, trends and what are the appropriate responses.
- Comprehend the interplay of supply and demand to design a successful project.

There are several factors or conditions at work in the target area contributing to the conclusion about the current marketplace for affordable rental and homes for sale.

1. The target community has persistent high unemployment. Therefore, serious consideration will be given to a lease with option to buy strategy in the marketing of the thirteen (13) homes.
2. Those of us who have lived in southeast Michigan have seen several spikes in unemployment due to the struggling auto industry and those dependent upon that industry. This has undoubtedly contributed to the increase in foreclosures and falling housing values. However, there is a relatively low vacancy rate, which is at 10% in comparison to other areas of Pontiac. Therefore, our strategy of providing a lease with an option to buy should be a viable program.
3. As mentioned, the vacancy rate continues to be low. It is believed, that the low vacancy rate is due to investors buying up foreclosed Bank REO's and turning them into low end rental houses. The selected neighborhoods have some of the most desirable properties in Pontiac, selling at "bargain-basement prices". This creates a market where housing is already affordable.
4. The fact that most of the neighborhoods in the target area have traditionally been stable has established a base from which to stop the decline in housing values with strategic interventions to eliminate a build up of blighting influences. Stabilization through home renovations for new buyers could succeed in the current market.
5. The current market could be characterized as having moderate demand and a moderate supply of housing that is not as yet considered substandard, requiring substantial renovations to make them marketable properties. Such a market in the more up scale sections of the target area could attract buyers whose income is between 80% and 120% of AMI. When renovated the selected properties on those blocks will have more appeal especially if buyer subsidies are offered.

The City will be focusing its efforts on stabilizing the selected neighborhood areas by purchasing foreclosed upon homes and investing funds to bring the homes up to current codes including energy efficiency to bring up the overall quality of the housing stock in these areas, and to get a family into the home to keep the population of these areas up and to stop the constant turnover in some of these homes by keeping the

family in the home for the period of affordability.

### **Ensuring Continued Affordability:**

Continued affordability shall be at minimum adherence to the HOME program standards as defined at 24 CFR 92.252(a), (c), (e), and (f), and 92.254. Home program standards can be used as "safe harbor", but if an alternative standard is applied, it must be equal to or exceed the HOME standard.

The City will feel a bigger impact from our homebuyer activities by creating a stable homebuyer population who will remain in their homes longer and help to stabilize their neighborhoods. The homes will be developed and sold at an affordable rate insuring an affordable first mortgage on the property. The City will provide a zero-interest deferred mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. The deferred second mortgage will be in effect for a period of 15 years. During this timeframe, the homebuyer will be subject to the City of Pontiac's Subordination Policy and they will not be allowed to take out any equity on the home until after the period of affordability and the City's lien has been discharged. This will help to prevent or stop many of the refinancing activities that created our current housing and foreclosure crisis. The City will also require within the terms of the deferred lien that the homeowner must maintain their home in good condition and keep their property taxes paid to current and maintain adequate homeowner's insurance on their property throughout the 15-year affordability period.

### **Definition of Blighted Structure:**

A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.

### **Definition of Affordable Rents:**

The City will use the HOME definition of "affordable rents" as 24 CFR 92.252 (a), (c) and (f). For those families at 66 to 120% of area median income, the City will use the recently issued final FY2011 Fair Market Rent for the Detroit-Warren-Livonia, MI HUD Metro FMR area of which includes the City of Pontiac (24 CFR 92.252 (a)(1)).

These are:

- Efficiency \$594
- One-Bedroom \$676
- Two-Bedroom \$809
- Three-Bedroom \$968
- Four-Bedroom \$997

For those families at 65% or below for area median income, the City will target rents that do not exceed 30% of the income eligible households adjusted income to insure affordability

### **Housing Rehabilitation/New Construction Standards:**

The City of Pontiac is completing its Rehabilitation Standards Manual. The standards that will apply for the NSP3 rehabilitation activities are referenced in the manual. The principle standards are:

- Current Michigan Residential Building Code (single and two-family dwellings)
- Current Michigan Rehabilitation Code of Existing Buildings
- Current Michigan Property Maintenance Code
- Current City Zoning Ordinance
- HUD Minimum Housing Quality Standards
- All applicable City of Pontiac codes and ordinances
- Current State and Federal Lead-based Paint Laws and Regulations

A portion of the targeted neighborhood is a locally designated historic district and is listed on the State Register of Historic Sites. Any property that is purchased for this program that is located within this district - Seminole Hills Historic District - will require further review by both the Pontiac Historic District Commission and the State Office of Historic Preservation and may require use of the Secretary of the Interior's Standards for Rehabilitation.

### **Vicinity Hiring:**

The City of Pontiac Federal Programs Division launched a local contractor and laborers participation plan in the spring of 2010 as a component of the NSP1 programs activity for the Acquisition/Rehabilitation/Resale or Rental of nineteen (19) homes. A special session was held in the City Council Chambers to explain the NSP program and gather information from local contractor, women and minority owned firms and local potential laborers. That information was passed on to one of Pontiac's two NSP1 developers for recruiting and soliciting the participation of firms and individuals as the developers geared up to start the renovation process. The Federal Programs Division will be responsible for overseeing Section 3 compliance results.

Pontiac will implement a similar approach with NSP3 to facilitate local hiring practices. After the selection of a developer to acquire, renovate and sell the proposed thirteen (13) properties, a special recruitment event will be again staged in the Council Chambers to sign up interested parties. Hopefully, at that point in 2011, there will be enough experience during the NSP1 hiring process to refine our approach and make it

more effective, if required. The Federal Programs Division has already determined that if the event is well publicized and held in a familiar public place, the response of firms and persons wanting to participate is better. Therefore, we will not just rely upon newspaper ads and lists compiled in the past, but also the local government access cable channel will be utilized along with avenues for word-of-mouth and the City's website will get the message out about the NSP3 program and the recruiting event. At the event, information on existing ordinances and requirements for local hiring will be available.

#### **Procedures for Preferences for Affordable Rental Dev.:**

The City of Pontiac recognized while planning for NSP1 that persons at and below 50% of AMI would probably not be in a position to purchase homes. Therefore, we decided to renovate 19 homes and set aside six (6) of those homes to be used as affordable rentals. Like wise while planning for the implementation of the NSP3 program. Pontiac's Federal Program staff decided to renovate thirteen (13) homes and to set aside three (3) of the thirteen as affordable rentals. These homes will also be targeted as rentals to persons or families at and below 50% of AMI.

With the reality of a very soft housing market in southeast Michigan, we are prepared to extend preferences to a Developer who can effectively renovate abandoned tax or bank foreclosed properties and subsequently place them on the market as affordable rentals. There will be the requirement that the development and operating proformas reflect the provision for the long term sustainability of these renovated homes as rentals with reasonable operating expenses, with a focus on reducing energy costs over time.

Qualified developers will be given incentives such as gap financing or development subsidies to keep the rents within affordable ranges for persons or families at and below 65% of AMI.

#### **Grantee Contact Information:**

For the City of Pontiac Federal Programs Division and the NSP3 Program:

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City of Pontiac Website: [www.pontiac.mi.us](http://www.pontiac.mi.us)

## **Project Summary**

<b>Project #</b>	<b>Project Title</b>	<b>Grantee Activity #</b>	<b>Activity Title</b>
77996	NSP3 Administration	77996	NSP3 Program Administration
77997	Acquisition/Rehab 25% Set Aside	77997	Acq/Rehab Low Mod Set Aside
77998	Acquisition/Rehab/Resale LMMI	77998	Acquisition
9999	Restricted Balance	<i>No activities in this project</i>	

## **Activities**

<b>Grantee Activity Number:</b>	<b>77996</b>		
<b>Activity Title:</b>	<b>NSP3 Program Administration</b>		
<b>Activity Type:</b>	<b>Activity Status:</b>		
Administration	Under Way		
<b>Project Number:</b>	<b>Project Title:</b>		
77996	NSP3 Administration		
<b>Projected Start Date:</b>	<b>Projected End Date:</b>		
04/01/2011	03/08/2014		
<b>National Objective:</b>	<b>Total Budget, Program Funds:</b>	\$ 141,062.00	
Not Applicable - (for Planning/Administration or Unprogrammed Funds only)	<b>Other Funds Total:</b>	\$ 0.00	
<b>Environmental Assessment:</b>	<b>Total Funds Amount:</b>	\$ 141,062.00	
EXEMPT			
<b>Benefit Report Type:</b>			
NA			

<b>Activity is being carried out by Grantee:</b>	<b>Activity is being carried out through:</b>
Yes	Grantee Employees

**Organization carrying out Activity:**  
City of Pontiac Federal Programs Division

**Proposed budgets for organizations carrying out Activity:**

Responsible Organization	Organization Type	Proposed
City of Pontiac Federal Programs Division	Local Government	\$ 141,062.00

**Location Description:**

The City of Pontiac Federal Programs Division will administer the NSP3 program using City employees. The office of the Federal Programs Division is located in Pontiac City Hall, Second Floor, 47450 Woodward Avenue, Pontiac, MI 48342.

**Activity Description:**

The City will provide oversight and program management for the NSP3 funds. Staff costs will include salaries and fringes. Additional costs will include supplies, equipment and professional services to complete the grant.

<b>Grantee Activity Number:</b>	<b>77997</b>
<b>Activity Title:</b>	<b>Acq/Rehab Low Mod Set Aside</b>
<b>Activity Type:</b>	<b>Activity Status:</b>
Acquisition - general	Planned
<b>Project Number:</b>	<b>Project Title:</b>
77997	Acquisition/Rehab 25% Set Aside
<b>Projected Start Date:</b>	<b>Projected End Date:</b>

07/01/2011	03/08/2014
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<b>National Objective:</b>	<b>Total Budget, Program Funds:</b>	\$ 352,657.00
LH25: Funds targeted for housing for households whose incomes are at or under 50% Area Median Income.	<b>Other Funds Total:</b>	\$ 0.00
<b>Environmental Assessment:</b>	<b>Total Funds Amount:</b>	\$ 352,657.00

COMPLETED

**Benefit Report Type:**  
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Renter Households	3			0.00
# Owner Households				0.0
# of Households	3			0.00

Proposed Accomplishments	Total
# of Singlefamily Units	3
# of Housing Units	3
# of Parcels acquired voluntarily	3
# of Parcels acquired by condemnation	
# of buildings (non-residential)	3
# of Properties	3

<b>Activity is being carried out by Grantee:</b>	<b>Activity is being carried out through:</b>
Yes	Contractors

**Organization carrying out Activity:**  
City of Pontiac Federal Programs Division

**Proposed budgets for organizations carrying out Activity:**

Responsible Organization	Organization Type	Proposed
City of Pontiac Federal Programs Division	Local Government	\$ 352,657.00

**Location Description:**  
The City of Pontiac will acquire three single family homes located in the designated target area for NSP3 - West Pontiac Hills District. This target area includes census tracts 1420 (BG 3 and 4) and 1426. The City will identify vacant, foreclosed upon properties only for this project. The City will not acquire any occupied properties. The properties will be identified after the contractor/developer for this project has been identified through a competitive proposal process.

**Activity Description:**

The City of Pontiac through a contractor/developer will acquire three vacant, foreclosed upon properties located in the NSP3 target area - West Pontiac Hills District. The homes will be inspected and appropriate specifications will be prepared to bring the home up to current City of Pontiac code. In addition, energy efficient upgrades will be completed to make the homes more affordable and conserve energy. If any of the homes are located in the Seminole Hills Historic District, the repairs will meet the Secretary of the Interior Standards for Rehabilitation. The City would also consult with the State Office of Historic Preservation and the Pontiac Historic District Commission.

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<b>Grantee Activity Number:</b>	<b>77998</b>
<b>Activity Title:</b>	<b>Acquisition</b>
<b>Activity Type:</b>	<b>Activity Status:</b>
Acquisition - general	Planned
<b>Project Number:</b>	<b>Project Title:</b>
77998	Acquisition/Rehab/Resale LMMI
<b>Projected Start Date:</b>	<b>Projected End Date:</b>
07/01/2011	03/08/2014

<b>National Objective:</b>	<b>Total Budget, Program Funds:</b>	\$ 916,902.00
LMMI: Low, Moderate and Middle Income National Objective for NSP Only	<b>Other Funds Total:</b>	\$ 0.00
<b>Environmental Assessment:</b>	<b>Total Funds Amount:</b>	\$ 916,902.00
COMPLETED		

**Benefit Report Type:**  
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	9			0.00
# of Households	9			0.00

Proposed Accomplishments	Total
# of Singlefamily Units	9
# of Housing Units	9
# of Parcels acquired voluntarily	9
# of Parcels acquired by condemnation	
# of Properties	9

<b>Activity is being carried out by Grantee:</b>	<b>Activity is being carried out through:</b>
Yes	Contractors

**Organization carrying out Activity:**  
City of Pontiac Federal Programs Division

**Proposed budgets for organizations carrying out Activity:**

Responsible Organization	Organization Type	Proposed
City of Pontiac Federal Programs Division	Local Government	\$ 916,902.00

**Location Description:**

The City of Pontiac through its contractor/developer will acquire approximately nine (9) vacant, foreclosed upon structures in the NSP3 targeted neighborhood - West Pontiac Hills Neighborhood. This area includes census tracts 1420 (BG 3 and 4) and 1426. Neighborhoods included in this target area include Indian Village, Seminole Hills, Ottawa Hills, Washington Park and Pioneer Highlands.

**Activity Description:**

The City of Pontiac through its contractor/developer will acquire approximately nine (9) vacant, foreclosed upon properties in the NSP3 Target Area. The homes will be inspected and the City will rehabilitate the homes up to current City of Pontiac Building Codes. The City will also make energy efficient upgrades to the properties to make the homes more affordable over the long

term and to conserve energy. Once the homes are completed, they will be sold to income eligible homebuyers.

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### **Action Plan Comments:**

### **Action Plan History**

**No History Found**