

**Grantee: Canton Township, MI**

**Grant: B-08-MN-26-0001**

**April 1, 2009 thru June 30, 2009 Performance Report**

**Grant Number:**

B-08-MN-26-0001

**Obligation Date:**

03/24/2009

**Grantee Name:**

Canton Township, MI

**Award Date:****Grant Amount:**

\$2,182,988.00

**Contract End Date:****Grant Status:**

Active

**Review by HUD:**

Reviewed and Approved

**Submitted By:**

No Submitter Found

**Disasters:****Declaration Number**

NSP

**Plan Description:**

Canton Township is affected heavily by the foreclosure crisis, with more than 400 homes foreclosed upon as of September 2008. The foreclosures are located throughout the community, affecting well-off neighborhoods as well as low and moderate income neighborhoods. Canton has devised a strategy to meet the foreclosure crisis by buying homes in low/mod and middle-income neighborhoods and reselling them to qualified individuals and families. These individuals and families will be helped with downpayment and other homebuyer assistance.

**Recovery Needs:****INTRODUCTION**

The Neighborhood Stabilization Program (NSP) is authorized by the Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA). Funds under the act may be used to buy foreclosed and abandoned homes; to buy land and property; to demolish or rehabilitate abandoned properties; and to offer downpayment and closing cost assistance to middle income (less than 120% of Area Median Income (AMI)) homebuyers. Cantons allocation is \$2,182,988. The funds must be obligated within 18 months of receipt of the award agreement from the Department of Housing and Urban Development (HUD), and all funds must be spent within four years of agreement receipt. Any funds remaining at the end of the four years are recaptured by HUD.

NSP funds must be distributed to geographic areas of greatest need in the community. Need is determined by areas which meet the three qualifiers of the greatest percentages of home foreclosures, the highest percentages of homes financed by subprime mortgage instruments, and which have been identified by the community as likely to face a significant rise in the rate of foreclosures,

At least 25 percent of Cantons funds (\$545,747) must be used for the purchase or redevelopment of abandoned or foreclosed residential properties to house individuals or families whose incomes do not exceed 50 percent of the Area Median Income. (\$34,950 for a family of four.) The remaining funds (a maximum of \$1,637,241) must be used to assist individuals and families whose incomes do not exceed 120 percent of the Area Median Income. (\$83,900 for a family of four.) Canton must ensure that homebuyers undergo at least eight hours of homebuyer counseling and do not use a subprime mortgage in the purchase.

**A. AREAS OF GREATEST NEED**

Canton Township has identified the geographic areas of greatest need based on HUD supplied foreclosure and abandonment risk scores and middle-income census tracts for Canton Township. Canton will target block groups only within the middle-income census tracts and with foreclosure and abandonment risk scores 6 and higher. The following are the census tracts and block groups targeted, along with the risk scores for foreclosure:

Table 1

Census Tract Block Group(s) % 120% AMI Risk Score

563200	1, 2	52.4, 59.5	9
563800	1	52.5	7
564100	9	83.3	7
564200	3, 6	52.2, 52.4	7
564500	2	82.9	7
564700	1	82.1	7
565000	2	65.5	6

Two census tracts which initially met the inclusion criteria, 563300 and 564900, were finally excluded. Tract 563300 was excluded because most of the foreclosed properties were light industrial properties. Tract 564900 was excluded because it is heavily populated with mobile homes in four mobile home parks, skewing the low-mod classification. In addition, neither tract has a significant number of single family detached homes.

Four of the seven census tracts about I-275; the exceptions are tracts 563800, 564200, and 564500. With the exception of 564500, all tracts are located in the eastern half of Canton, east of Canton Center Road. Canton will buy vacant foreclosed upon and abandoned single family homes in these census tract block groups and resell or rent them to individuals and families meeting the 120 percent Area Median Income requirement. Canton has identified these neighborhoods as high foreclosure risks based on the risk scores.

B. DISTRIBUTION AND USES

Home Foreclosure Risk

The risk score for home foreclosures is reflective of the number of home foreclosures in a census tract. Canton has chosen a risk score of 6 and above for inclusion in an NSP targeted area.

Percentage of Homes Financed by Subprime Mortgage Related Loan

HUD Home Mortgage Disclosure Act (HMDA) data were used to identify middle income (120% of AMI) census tracts with the highest percentage of subprime mortgages (high cost loan rate). The tracts identified were:

Table 2

Census Tract	Subprime Loan
563200	23.0%
563800	13.0%
564100	14.7%
564200	17.9%
564500	10.0%
564700	13.8%
565000	11.0%

Tracts 563300 and 564900 again met the initial inclusion criterion, with subprime loan rates of 9.5% and 17.9% respectively, but were excluded because of the reasons given previously. In addition, Tract 564300 was eliminated from consideration as a target tract because it is not 51 percent middle-income, even though it has a high percentage (17.9%) of subprime loans. This follows the decision to target NSP funds only to middle-income census tracts and block groups.

Potential for Significant Rise in Rate of Home Foreclosures.

The combination of predominantly middle-income (120% AMI) neighborhoods and a high percentage of subprime mortgages are indicative of a potential rise in the home foreclosure rate. These criteria were applied to the census tracts immediately above, which resulted in their targeting. The targeting, however, is further refined by the block groups listed in Table 1.

C. DEFINITIONS AND DESCRIPTIONS

#### (1) Blighted Structure

Canton uses the term dangerous building to describe a blighted structure. The definition of dangerous building follows the State law reference Dangerous Buildings, MCL 125.538 et seq., Housing Law of Michigan, Act 167 of 1917, as amended. The local citation is Ord. No. 72, as amended, Sec. 3, 9-1-1994.

#### (2) Affordable Rents

If a property acquired through NSP is rented, the rent will not exceed one-third of a household's income as defined by the HUD applicable Fiscal Year Income Limits Documentation System for the Detroit-Warren-Livonia, Michigan HUD Metro Fair Market Rent (FMR) Area.

#### (3) Continued Affordability

Canton will assure affordability by ensuring that homebuyers get eight hours of homebuyer counseling and do not use a subprime mortgage for financing. Canton will work with counseling agencies and financing companies to assure these preconditions are met and documented. Canton will adopt the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254 as the minimal standards for continued affordability.

#### (4) Housing Rehabilitation Standards

The housing rehabilitation standards Canton will apply to NSP assisted properties are the 2006 International Building Code and the 2006 Michigan Residential Code. The Municipal Department Building Division inspectors will inspect all residential properties before sale.

### D. LOW INCOME TARGETING

The minimum amount of funds made available under NSP to be used to purchase and redevelop vacant foreclosed upon or abandoned homes for housing individuals or families whose incomes do not exceed 50 percent of area median income shall be \$545,747. These funds will be targeted to the listed census tracts, where home values are commensurate with 50 percent area median incomes and hence more affordable to low income individuals. Canton recognizes the incentive towards rental housing as the means to comply with this requirement, it is not in a practical position to become a landlord since it manages no residential rental properties. Consequently, Canton will meet the mandate with homeownership activities. The Township is confident it can find suitable housing that is affordable to this income group, and that it can use homeownership tools, such as downpayment assistance and homeownership counseling, to successfully fulfill the 25 percent requirement.

### E. ACQUISITIONS AND RELOCATION

Canton will NOT demolish or convert any low- and moderate-income dwelling units.

### F. PUBLIC COMMENT

The substantial amendment was advertised on November 13, 2008, in the Canton Observer, the Canton newspaper of record. The amendment was posted to the Canton website on that date and remained available for public scrutiny through December 1, 2008.

The public comments on the program were generally positive. A resident of Macomb County called to ask about getting her name on the waiting list, since she and her husband were interested in moving back to Canton.

A contractor called to inquire about doing rehabilitation work for the program.

A Canton resident stated the program was wonderful for Canton.

Another Canton resident questioned who was the intended beneficiary of the program.

#### (1) Activity Name:

Purchase of foreclosed upon and abandoned residential properties.

#### (2) Activity Type

NSPEligible Use: (B) Purchase and rehabilitate homes and residential properties that have been abandoned and

foreclosed upon in order to sell, rent, or redevelop such homes and properties.

CDBGEligible Activities: 24 CFR 570.201 (a) Acquisition and (b) Disposition.

(3) National Objective:

The activity will benefit middle-income individuals and families (< 120% AMI), who will occupy the rehabilitated properties through purchase or rental.

(4) Projected Start Date: April 1, 2009.

(5) Projected End Date: October 30, 2010

(6) Responsible Organization:

Charter Township of Canton  
1150 South Canton Center Road  
Canton, Michigan 48188-1699

Administration: 734-394-5194

(7) Location Description:

The following are presently foreclosed properties in middle income census tracts/block groups:

Census Tract Address (Street)

563200 Peters

563200 Alton

563200 Bart

563200 Holly

563200 John Dr

563200 Edmunton

563200 Peters

563800 Ardsley

563800 Burnham

563800 Bunker Hill

563800 Epping Dr

563800 Willow Creek

564100 Roseland

564100 Terrell Ct

564200 Aberdeen

564200 Boulden Ct

564200 Elmhurst

564200 Gordon

564200 Marlowe

564200 Oakview

564500 Brooklyn Dr

564500 Cardiff

564500 Elizabeth Ave

564500 Emplire

564500 Lansdowne

564500 Geddes

564500 Lexington Cir

564500 Monarch

564500 Norwich Dr

564500 Permbroke

564500 Ravensfield Dr

564500 Rockefeller Dr  
564500 Scenic Circle Dr N  
564500 Strathmore Ln

564700 Southwind Dr

565000 Pinecroft

The residential properties (single family detached houses and condominiums) are in targeted census tracts and blocks and have asking prices of \$200,000 and less. The list indicates foreclosed properties of interest only, and does not guarantee acquisitional intent since appraisals and offers have yet to be made and the real estate market in residential properties in Canton is in constant flux. The list is also partial since other foreclosed properties will be identified during the grant period. Funding will also limit the number of properties actually acquired.

(8) Activity Description:

The purchase of foreclosed upon and abandoned residential properties for sale or rental to middle- and low-income individuals and families will take place in census block groups with middle-income (< 120% AMI) majorities, foreclosure scores of six and above, and with high percentages (9.5% and above) of subprime mortgages. The activity will include funds (at least \$545,747) dedicated to housing individuals or families whose incomes do not exceed 50 percent of Area Median Income.

The tenure of the beneficiaries will be homeownership or rental. Continued affordability will be ensured through downpayment and closing cost assistance, and soft seconds where appropriate.

The discount rate for property acquisition will be at least 15 percent for portfolio purchases, and five percent for individual acquisitions.

For financing activities the range of interest rates shall be the standard rates in effect at the time of the loan. Subprime rates shall not be applicable to any loan instrument used.

I. TOTAL BUDGET

The total NSP budget shall be \$2,182,988.

J. PERFORMANCE MEASURES

The price of homes purchased will be between \$150,000 and \$200,000, based on the current asking price for affordable single family detached foreclosed homes in Canton. Condominiums are available for less, some under \$100,000. It is anticipated that all purchases will be under \$200,000. Approximately 15 homes will be purchased. Four or more homes (costing at least \$545,747 total) will be occupied by individuals or families making less than 50 percent Area Median Income. Four homes will be occupied by individuals or families between 51 and 80 percent Area Median Income, and seven homes will be occupied by individuals or families making between 81 and 120 percent Area Median Income. All homebuyers will receive at least eight hours of homebuyer counseling, none will make use of subprime mortgage instruments, and Canton will provide downpayment and closing cost assistance, and soft seconds if warranted. When appropriate, properties will be rented at affordable rents as dictated by then current HUD determinations.

<b>Overall</b>	<b>This Report Period</b>	<b>To Date</b>
<b>Total Projected Budget from All Sources</b>	N/A	\$2,182,988.00
<b>Total CDBG Program Funds Budgeted</b>	N/A	\$2,182,988.00
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Obligated CDBG DR Funds</b>	\$0.00	\$0.00
<b>Expended CDBG DR Funds</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00

## Progress Toward Required Numeric Targets

Requirement	Required	To Date
Minimum Overall Benefit Percentage	\$99.99	\$0.00
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$327,448.20	\$0.00
Limit on Admin/Planning	\$218,298.80	\$0.00
Limit on State Admin	\$0.00	\$0.00

## Progress Toward Activity Type Targets

## Progress Toward National Objective Targets

### Overall Progress Narrative:

No financial activity during reporting period. Consultant to administer the NSP program has not been selected. Interview process is still underway.

### Project Summary

Project #, Project Title	This Report Period		To Date	
	Project Funds Budgeted	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00	\$0.00
BCKT, BucketProject	\$0.00	\$0.00	\$2,182,988.00	\$0.00