

Grantee: Elkhart, IN

Grant: B-11-MN-18-0002

January 1, 2021 thru December 31, 2021

Grant Number: B-11-MN-18-0002	Obligation Date:	Award Date:
Grantee Name: Elkhart, IN	Contract End Date:	Review by HUD: Reviewed and Approved
Grant Award Amount: \$1,022,717.00	Grant Status: Closed with Ongoing Reporting	QPR Contact: Laura Miller
LOCCS Authorized Amount: \$1,022,717.00	Estimated PI/RL Funds: \$258,801.00	
Total Budget: \$1,281,518.00		

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

The City of Elkhart utilized the HUD NSP3 mapping tool as well as the needs data provided by HUD to determine a general area of need for the community. This information was then compared with the existing NSP1 area and the Neighborhood Revitalization Strategy Area as well as a list of tax delinquent properties available from Elkhart County to narrow the area of need down to a smaller area. This area was then mapped and determined to be the area of greatest need for the NSP3 program.

The first phase of this evaluation was to use the NSP3 needs data. The City of Elkhart has 82 Census Block Groups (CBG) in this data set. Each of those CBGs had an NSP3 needs score of 18 or greater. This indicated that any of the CBGs in Elkhart would meet the minimum requirement of an NSP3 needs score of 17. Several of the CDBs had fewer than 3 households so those were removed from the evaluation because the area was not considered to be residential in nature. This process left 60 CBGs to be reviewed for percent of households that are 51% or greater low-mod-medium income level. Of those 60 CBGs, 54 met that criterion. This provided the largest potential area for the NSP3 program. This area was then compared to two defined areas of need in the community, the NSP1 area and the CDBG Neighborhood Revitalization Strategy Area. The data for these CBGs was then reviewed for vacancy rates (COMBINED VAC), agreement numbers (HMDA), high cost agreements (HC-RATES), seriously delinquent agreements (SDQ-RATES), number of foreclosure starts (STARTS), completed foreclosures (REO), and number of projects to make an impact (IMPACT).

From this data it was determined that each block group is eligible under NSP3 by having a Needs Score of 17 or more. When the additional data points are reviewed it becomes clear that each CGB has some characteristic that makes it relatively higher or lower in need based on that data point. This data is useful in providing an overview of a large eligible area but does not provide a clear picture of a reasonably-sized area of greatest need.

The City of Elkhart is a recipient of NSP1 funds as well as an entitlement community for CDBG funds. The NSP1 area is very similar to the existing NRSA for the City of Elkhart. This area has been shown over time and through the NSP1 and the CDBG Consolidated Plan planning processes to be the area in the community that has the greatest needs. The decision to focus NSP3 efforts in the same general areas as these existing redevelopment efforts was in great part due to a desire by the City to provide comprehensive redevelopment of an area already determined to be in the greatest need in our community. NRSAs Census Block Group Data plus CBG 22.5

Elkhart County's list of tax delinquent properties that did not sell in the October 2010 tax sale contained one hundred four parcels. The City and County worked together in 2010 to transfer tax-delinquent properties that had not sold at one or more tax sales to the City of Elkhart Redevelopment Commission for use in the NSP1 program. The intent for NSP3 is to continue with this model for several reasons, including but not limited to the following:

1. The tax-foreclosure process makes these properties eligible for acquisition under the NSP3 rules.
2. These pro

Summary of Distribution and Uses of NSP Funds:

properties can be acquired with clean title through the tax-foreclosure process.

3. Tax-delinquent properties that are not redeemed by owners or purchased at the tax sale are generally less marketable and least likely to be redeveloped by the private sector as proven by the lack of interest in keeping or obtaining ownership.
4. These properties are generally in very poor condition due to the lack of interest or financial capacity of the owner and create a blighting influence on the neighborhood.
5. These properties can be acquired at a very low cost, allowing the NSP3 project to impact more properties.

When the list of tax sale parcels was mapped in relation to the existing NSP1 and NRSA boundaries, 83 of the 104 parcels were inside those boundaries furthering the argument that this is the area of greatest need. That said, this area was deemed to be too large to serve as the NSP3 area. For this reason NSP1- and CDBG-funded projects were mapped as well to



determine if a cluster of projects would be found. This mapping process provided a basis for the NSP3 mapping area defined in the NSP3 mapping tool.

This map provides locations of NSP1 projects and projects funded with CDBG since 2008 in brown. The green markers indicate the location of the 104 tax delinquent parcels. The red outline is the current NRSA. As noted, many of the tax delinquent properties fall within the existing NRSA. To finalize the NSP3 area of greatest need, the City decided to extend the designated central area of the NRSA an additional three blocks south of the current southern boundary to take advantage of a cluster of eligible tax delinquent properties that lay just outside the existing NRSA boundaries.

THIS MAP COULD NOT BE PROPERLY LOADED INTO DRGR

This map is the NSP3 area of greatest need as mapped by the HUD mapping tool. The report generated from this mapping tool is included as an attachment to this document.

THIS MAP COULD NOT BE PROPERLY LOADED INTO DRGR

How Fund Use Addresses Market Conditions:

Housing Type & Quality Analysis

Housing professionals are most often concerned about the provision of affordable housing to low, moderate and middle-income individuals and families. In order to be considered of these income, a family's income must be at or below 120 percent of the Area Median Income (AMI) for their particular family size. Low income is considered to be 50 percent of the AMI, and very low income is considered to be at 30 percent of the AMI. Income limits based on these percentages are used to determine eligibility for various assistance programs.

The City of Elkhart has more than 23,000 housing units (owner and rental). Of these units, 87 percent are occupied and 13 percent are vacant. The homeowner vacancy rate is more than 5 percent; the rental vacancy rate is just over 8 percent. Fifty-four percent of Elkhart's housing units are owneroccupied and 46 percent are renter occupied. (Source: American Community Survey, 2006-2008)

Owner-Occupied Units

Recent changes in the local and national economies and, in particular, the housing market have had profound effects on Elkhart's housing values, housing stock, and housing conditions. Increases in the City's and region's unemployment rates, from the County's 5.3 percent unemployment rate in January 2008 to an unemployment high of 18.8 percent in March 2009 to the current 15.6 percent in January 2010 have increased the number of housing units listed for sale, decreased the number of units sold, and decreased the sale price to list price ratio.

It is anticipated that the Michiana real estate market will remain sluggish as the outcomes in financial markets and the regional economy (in particular the recreational vehicle and manufactured housing industries) remain uncertain. Elkhart will likely continue to face weak housing markets because of the weak demand, growing inventories of existing homes, and tougher credit markets.

The 2004 Housing Needs Assessment found that there was a "booming housing market" for middle- and upper-middle-income homes, while the low- to moderate-income housing market had not kept pace. Additionally, it was determined that the housing stock available to low- and moderate-income residents was deteriorating due to inadequacies in public policy and insufficient maintenance resources.

Housing values, as a whole, have decreased throughout Elkhart, the State of Indiana, the Midwest, and many other locations throughout the United States. The decrease in values has increased the number of housing units considered "affordable."

The City has not increased its affordable housing inventory; the market has devalued the existing housing inventory (through an oversupply of units and lower demands). Thus, the choice of housing units, at all price points, has increased for employed potential homeowners who qualify for a mortgage and have a sufficient down payment.

Renter-Occupied Units

In 2008, 46 percent of Elkhart's housing units were renter occupied (Source: American Community Survey). According to forecasts by ESRI, in 2014, it is anticipated that the percentage of renter-occupied units will decrease to 38 percent. It is important to note that rental unit vacancies increased from just over eight percent to 13 percent between 2000 and 2008 respectively

How Fund Use Addresses Market Conditions:

tributed to the sluggish economy, along with increased property taxes (re-assessments in the mid-2000s), higher insurance premiums, increased utility bills, and an increased number of rental properties for sale and in foreclosure.

The 2008 median rent was \$627 per month. The Elkhart-Goshen MSA 2009 Fair Market Rent (FMR) is \$731 per month for a two-bedroom unit, which is greater than the Indiana FMR of \$697 per month. (Source: National Low Income Housing Coalition, 2009) Nearly 68 percent of Elkhart's rental housing stock rents for less than the FMR. However, 42 percent of renters are unable to afford FMR. (Source: American Community Survey, 2006-2008) The maximum affordable monthly housing cost for a family of four at 30 percent of the AMI is \$444 per month.

The basic unit of housing consumption is the household. Housing demand can be assessed by examining various demographic characteristics relating to the number and composition of households within a community. These primary characteristics are:

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- Population

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- Number of Households

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- Persons per Household

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- Age of the Population

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- Income Levels

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Housing demand is also influenced by individual household choices relative to housing type, location, and cost. Furthermore, households make individual decisions concerning what they are willing and able to pay for housing. Vacancy rates are an important housing indicator because they often reflect the degree of housing choices available. A high vacancy rate usually suggests a high degree of choice, while a low vacancy rate is often indicative of a relatively low degree of choice and higher housing costs.

Currently, the general Elkhart housing supply exceeds the general demand. The table below illustrates the housing supply product as an index of housing availability, in particular for potential homeowners. When calculating the housing supply product for the overall Elkhart population, there is an inventory of housing units, both rental and owner occupied, available (more than 23,000) for more than 20,000 households. These calculations are based on ESRI's population projections for 2009.

Households earning up to 120 percent of the AMI, \$71,150 or less for a family of four, have sufficient choice in housing options as well. Available housing units were determined by multiplying an annual household income by three to determine house purchase price. In the case of a 120 percent AMI household, the maximum purchase price, or value, is \$213,120.

There are an estimated 23,000 units with a value of less than \$213,120. It is important to note that this calculation of total units includes all housing units, both owner occupied and rental. This indicates that all rental units and all but approximately 700 of the for sale units would be affordable to this income groups. This reflects the decrease in housing values that has occurred in the last two years, coupled with an increase of supply obtained through new construction and annexation.



Households earning 80 percent of the AMI, \$47,360 or less for a family of four, have sufficient choice in housing options as well. Available housing units were determined by multiplying an annual household income by three to determine house purchase price. In the case of an 80 percent AMI household, the maximum purchase price, or value

Housing Rehabilitation/New Construction Standards:

to meet these standards to the extent applicable to the rehabilitation work undertaken; e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products. ,

- Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.

How Fund Use Addresses Market Conditions:

is \$142,080. There are an estimated 22,073 units with a value of less than \$142,080. This is more than double the number of units at this price point in 2000. It is important to note that this calculation of total units includes all housing units, both owner occupied and rental. This reflects the decrease in housing values that has occurred in the last two years, coupled with an increase of supply obtained through new construction and annexation.

Housing options for low- and very-low-income residents are limited by affordability and availability. The housing supply product for households earning 50 percent of the AMI, \$29,600 or less for a family of four, is lower than the demand. It is estimated that there are approximately 5,500 housing units with a purchase price/value of \$88,800 or less for more than 7,000 households in this income category. There is an inadequate supply of housing for households considered low- and very-low-income, and it can be surmised that the quality and location of the available affordable units are also inadequate.

Ensuring Continued Affordability:

For Rental Activities the following chart provides the affordability period requirements.

MINIMUM AFFORDABILITY PERIOD

Rehabilitation of existing properties:

<\$15,000/unit	5 YEARS
\$15,000- \$40,000/unit	10 YEARS
>\$40,000	15 YEARS

New Construction or Acquisition of New Housing:

Any \$ amount	20 years
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The City of Elkhart will enforce rent and occupancy requirements through a recorded agreement. This agreement will contain all programmatic conditions and will be signed at the property closing. The agreement will then be recorded with the Elkhart County Recorder's Office. The property owner will be expected to provide proof of income-qualified tenants at the initial time of occupancy of the entire term of the affordability period.

It is important to note that, if the assistance for this project was made to meet the set-aside requirement to serve persons at or below 50% AMI, all subsequent tenants must meet the same income standards of 50% AMI at initial occupancy during the term of the affordability period.

The agreement will be released upon completion of the affordability period. If the property would transfer ownership within the affordability period, the new owner would assume the agreement and all programmatic conditions involved.

For Homebuyer Activities the following chart provides affordability period requirements.

MINIMUM AFFORDABILITY PERIOD

<\$15,000/unit	5 YEARS
\$15,000- \$40,000/unit	10 YEARS
>\$40,000	15 YEARS

The City of Elkhart will enforce the affordability period through a recorded agreement. This agreement will refer to a note containing all programmatic conditions and will be signed at the property closing. The agreement will then be recorded with the Elkhart County Recorder's Office. The agreement will be released upon completion of the affordability period. If the property would transfer ownership within the affordability period, the new owner would assume the agreement and all programmatic conditions involved.

It is important to note, that if the sale is made to persons at or below 50% AMI and that sale was used to meet the minimum investment for persons at or below 50% AMI, the subsequent sale during the affordability period would have to be to a person at or below 50% AMI to meet the regulatory requirement of the NSP program.

If an income-qualified homebuyer cannot be identified by the owner, assistance from local partners, including but not limited to, La Casa Inc., Habitat for Humanity, and other local housing agencies will be utilized to find an income eligible homebuyer.

Definition of Blighted Structure:

The term "blighted structure" is not defined in any City of Elkhart ordinance nor is it defined in the State of Indiana Unsafe Building Law or in the 2006 International Property Maintenance Code that has been adopted by the City of Elkhart. For this reason the City of Elkhart will consider "blighted structure" to be equivalent to the term "unsafe building" as defined in the State of Indiana Unsafe Building Law:

IC 36-7-9-4 Unsafe buildings and unsafe premises described:

Sec. 4. (a) For purposes of this chapter, a building or structure, or any part of a building or structure, that is:

- (1) in an impaired structural condition that makes it unsafe to a person or property;
- (2) a fire hazard;
- (3) a hazard to the public health;
- (4) a public nuisance;
- (5) dangerous to a person or property because of a violation of a statute or ordinance concerning building condition or maintenance; or

(6) vacant and not maintained in a manner that would allow human habitation, occupancy, or use under the requirements of a statute or an ordinance; is considered an unsafe building.

(b) For purposes of this chapter:

- (1) an unsafe building; and
- (2) the tract of real property on which the unsafe building is located; are considered unsafe premises.

(c) For purposes of this chapter, a tract of real property that does not contain a building or structure, not including land used for production agriculture, is considered an unsafe premises if the tract of real property is:

- (1) a fire hazard;
- (2) a hazard to public health;
- (3) a public nuisance; or
- (4) dangerous to a person or property because of a violation of a statute or an ordinance.

As added by Acts 1981, P.L.309, SEC.28. Amended by P.L.14-1991, SEC.9; P.L.66-2005, SEC.1.



Definition of Affordable Rents:

C. Definitions and Description

The following definition of affordable rent is to replace the former definition provided in the NSP plan.

(2) Definition of "affordable rents."

Note: Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

(2) Definition of "affordable rents."

Response:

"Affordable Rents" is defined as the rent limits provided by the US Department of Housing and Urban Development (HUD) annually. This rent limit is designed to ensure that units built using program funds are affordable to low- and very low-income households. The rent limit for a given unit is the maximum rent a property owner may charge a tenant for the unit. Any rental housing produced with NSP funds will follow HOME rent limits for the entire affordability period based on the NSP lien recorded for that property. For housing units not subject to the 50% AMI set-aside requirements or where the tenant occupying a 50% AMI set-aside unit is a participant in a rent subsidy program, the fair market rent or High HOME rent limits, which ever is higher, will act as the maximum rent allowable. Rental units produced to meet the set-aside requirements for households at or below 50% AMI must use the Low HOME rent limits when the tenant is not a participant in a rent subsidy program and is responsible for paying their entire rent obligation.

Housing Rehabilitation/New Construction Standards:

The City of Elkhart has adopted the following building codes for residential properties in the City's jurisdiction.

Indiana Residential Code, 2005 Edition. (This includes Structural, Plumbing and Mechanical Rules) 2003 International Residential Code for One- and Two-Family Dwellings, fifth printing, and Chapter 43 of the 2006 International Residential Code for One- and Two-Family Dwellings, first printing, published by the International Code Council, 5203 Leesburg Pike, Suite 708, Falls Church, Virginia 22041-3401, as amended by the State of Indiana.

Indiana Electrical Code, 2005 Edition. National Electrical Code, 2005 edition, first printing, and errata to the first printing, as amended by the State of Indiana.

Indiana Visitability Rule (Accessibility for One- and Two-Family Dwellings) This rule applies only to the design and construction of one (1) or more visitability features in one-(1) and two-(2) family dwellings and Class 1 townhouses. In accordance with IC 22-13-4-7(g), the provisions of this rule are not mandatory unless a person contracts with a designer or a builder for construction of a visitability feature adopted in this rule in the new construction of a dwelling, in which case the designer and builder shall comply with the standards adopted in this rule for the design and construction of the visitability feature.

Projects on three or more dwellings as well as all commercial projects are governed by:

Indiana Building Code, 2008 Edition. International Building Code, 2006 Edition, first printing, as amended.

Indiana Plumbing Code, 1999 Edition. Uniform Plumbing Code, 1997 Edition, as amended

Indiana Mechanical Code, 2008 Edition. International Mechanical Code, 2006 Edition, first printing, as amended

Indiana Fuel Gas Code, 2008 Edition. International Fuel Gas Code, 2006 Edition, first printing, as amended

Indiana Fire Code, 2008 Edition. International Fire Code, 2006 Edition, first printing, as amended

Indiana Electrical Code, 2005 Edition. National Electrical Code, 2005 edition, first printing, and errata to the first printing, as amended by the State of Indiana.

All properties renovated with the NSP funds will be brought into compliance with the applicable residential codes for existing home rehabilitation in addition to the following HUD required standards:

- All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load-bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- All gut rehabilitation or new construction of mid- or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).
- Other rehabilitation must

Vicinity Hiring:

The City of Elkhart is committed to implementing the vicinity hiring preference in its NSP3 activities. The City of Elkhart has a Section 3 plan that currently requires that all job announcements for contractors with CDBG or NSP contracts must be posted with the Elkhart Housing Authority and the Work Force Development Office. These offices are within the area of greatest need. City staff will also review existing CDBG-approved contractors to determine if any are located within the area of greatest need. Staff will also review the local phone book for contractors located within the area of greatest need. These contractors will be notified that they will be eligible for the NSP3 vicinity hiring preference with all NSP3 contracts. City staff will participate in the webinar scheduled to provide guidance on the vicinity hiring preference on March 3, 2011.

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Procedures for Preferences for Affordable Rental Dev.:

This is the City of Elkhart's preference for development of affordable rental housing with NSP3. The housing market in Elkhart has been negatively impacted by the extreme economic downturn the area has experienced. According to CHAS data used in the housing needs assessment conducted for the 2010-2015 Consolidated Plan, the City of Elkhart had 810 vacant homes for sale and 1,315 vacant units for rent. The data from the US Census for 2005-2009 American Community Survey indicates that the vacancy rate for homeowner units is only 4.5% while it is 14.2% for rental units.

Given high vacancy rates, specifically in rental units, the project will provide for development of rental units that are owned



by local not-for-profits and will focus those units on persons with special needs such as persons who are homeless, disabled, veterans, or victims of domestic violence. By providing rental housing for special needs populations, the City can meet the goal of the NSP3 program to develop affordable rental housing in a manner that addresses the high vacancy rates in rental housing units.

City staff will work closely with local not-for-profit agencies to identify housing units that would meet the needs of the agencies and their clients that also meet NSP3 requirements of vacant, abandoned, or foreclosed upon. Identifying properties that meet the location, unit size and number, accessibility needs, and low costs of operations of the agency and clients is critical to finding a local partner to acquire and manage the rental units after the units are rehabilitated with NSP3 funds.

It is expected that funds used for this activity will be used to meet the low-income housing requirement for those below 50% of area median income (AMI). The City will work with local partner housing and social service agencies to find tenants who are income qualified and in need of affordable housing opportunities in our city, paying special attention to persons at or below 50% AMI.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	\$0.00	\$1,312,579.00
Total Budget	\$0.00	\$1,281,518.00
Total Obligated	\$0.00	\$1,266,518.00
Total Funds Drawdown	\$0.00	\$1,223,854.14
Program Funds Drawdown	\$0.00	\$1,022,717.00
Program Income Drawdown	\$0.00	\$201,137.14
Program Income Received	\$0.00	\$201,137.14
Total Funds Expended	\$0.00	\$1,210,392.32
HUD Identified Most Impacted and Distressed	\$0.00	\$0.00
Other Funds	\$ 0.00	\$ 31,061.00
Match Funds	\$ 0.00	\$ 31,061.00
Non-Match Funds	\$ 0.00	\$ 0.00

Funds Expended

Overall	This Period	To Date
City of Elkhart2	\$ 0.00	\$ 1,210,392.32

Progress Toward Required Numeric Targets

Requirement	Target	Projected	Actual
Overall Benefit Percentage	99.99%	.00%	.00%
Minimum Non Federal Match	\$.00	\$40,000.00	\$31,061.00
Overall Benefit Amount	\$1,156,402.35	\$.00	\$.00
Limit on Public Services	\$153,407.55	\$.00	\$.00
Limit on Admin/Planning	\$102,271.70	\$125,000.00	\$100,408.52
Limit on Admin	\$.00	\$125,000.00	\$100,408.52
Most Impacted and Distressed	\$.00	\$.00	\$.00
Progress towards LH25 Requirement	\$320,379.50		\$545,892.45

Overall Progress Narrative:

No changes to program. Still in the affordability period. No properties sold and no program income collected.

Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown



1, Administration	\$0.00	\$125,000.00	\$91,388.10
2, Acquisition Rehab	\$0.00	\$800,000.00	\$606,726.10
3, Land Bank	\$0.00	\$88,672.00	\$56,866.55
4, Demolition	\$0.00	\$146,925.00	\$146,882.25
5, Redevelop Vacant Properties	\$0.00	\$120,921.00	\$120,854.00

