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Moderator: Courtney Smith
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Operator: Good day and welcome to the Grantee Peer to Peer Conference Call. Today's conference is being recorded. At this time I'd like to turn the conference over to Ms. Courtney Smith. Please go ahead.

Courtney Smith: Hello everyone and welcome to the NSP Midwest Regional Peer to Peer Webinar. Today we'll be taking questions throughout the presentation at various intervals and if you have a question please change your feedback (status) from green to purple to let us know that you have a question.

The feedback (status) is in the upper right corner of LiveMeeting. We'll take questions throughout the presentation and you can ask your question by pressing star, 1 on your Touch-tone phone. If your question is answered please remove yourself from the queue by pressing star, 2. Wait until the indicated intervals for the question and answer period.

Once you've finished asking your question please change your feedback (status) back to green. At this time I'd like to turn the webinar over to Marsha Tonkovich.

Marsha Tonkovich: Hi everybody and glad to be doing another peer to peer session with you. This is the third in a series. We did a nationwide one a couple months ago and we did one with Florida a little more than a month ago.

And so this session is just focused on grantees located in the Midwest and the markets and the issues that they have faced that they have created successful programs. So I'd like to - a word about myself, I've been doing a lot of these webinars and working a lot on the NSP technical assistance and I'm happy to help answer questions as we go through the webinar today.

I'd also like to introduce our HUD staff who is with us today who is Hunter Kurtz. So Hunter, could you just say a welcome and a word about yourself?

Hunter Kurtz: Sure. Thank you Marsha. My name is Hunter Kurtz. I'm with the NSP team here at HUD headquarters and we're really looking forward to this webinar and the sort of new types of webinars we've started to do, these peer to peer.

It's a great opportunity to share strategies that have worked for communities not just in the Midwest but many other communities that face similar problems to them. And we look forward to a very successful webinar here today.

Marsha Tonkovich: Thanks Hunter. And again, Hunter will be on with us throughout the two hours so we can certainly ask questions of him as well. So again, just a reminder if you have a question once you've heard the presentation by your colleagues, feel free to get into the queue.

And we'll take questions both after each of our presenters and we'll also have an open forum at the end where you can ask questions of the entire panel as well as Hunter and myself. So we'll open that up at the end as well. And again, you can ask questions either on your phone pressing star, 1 to get into the verbal queue.

Or if you don't want to do that or you prefer to write it in, you can also under the Q&A button at the top of your LiveMeeting screen you can go ahead and type in a question and submit it. And I'll watch those as our panelists are talking and we can put those questions to the panelists as well. So you can use either method to ask a question.

So with that I'm going to introduce our panelists to you and then we'll go ahead and we'll go through the panelist presentations in the order that you see them on the screen. And then we'll as I said come back to have an open forum at the end of the period. So our first panelist is Heather Presley Cohen from Fort Wayne, Indiana.

We also have Mike Dennis from Redford, Michigan, Joanne from Westland, Michigan, Susan from Hamilton County, Ohio, Rita from Columbus, Ohio and finally Kate from the State of Wisconsin. So you'll see that we have a range of different types of grantees. We purposely chose smaller grantees and larger grantees, cities and counties so that we have a diversity of different types of programs.

And we've asked them each to sort of describe their program to you and talk about the challenges they have had to overcome and some of the specific successes that they have had. So with that I'm going to turn it over to Heather and we'll start with Fort Wayne.

Heather Presley Cohen: Good afternoon. I'm Heather Presley Cohen from the City of Fort Wayne, Indiana and I am the Director of Housing and Neighborhood Services. The City of Fort Wayne is the second largest city in Indiana and I guess what we like to think here in the Midwest is we're like the big old ship.

We don't have a boom or a bust in the housing market. We remain relatively stable while the rest of the country sort of feels a little bit more of the pressures. One of the great things about receiving $7 million of NSP1 program funding was that we had this tool, this amazing tool that we really needed because for the first time in our history in looking at housing the way that we do, back in 2000 when we completed our comprehensive plan we learned we were about 30% overbuilt.

Just to give you an idea of the size of Fort Wayne, we have about 300,000 residents in the Allen County so receiving $7 million of NSP1 and then 2.374 more in NSP3 has been really important to us. What we opted to do with our funding was to actually run an acquisition rehab program and provide home ownership assistance primarily.

And we called that our purchase custom rehab program. Our set aside was used for two separate nonprofits - one team of nonprofits worked on rentals and one large nonprofit did home ownership. Some of the best practices we believe for the Midwest region - we are very obviously not like other cities and like other cities in other ways.

But what we did was we actually worked very closely with our realtors and our developers and home designers because what we have in Forth Wayne and I'm sure in other cities, not only were we 30% overbuilt. What we saw was families moving out of the core and out to the suburbs over the years. It left behind a glut of vacant housing.

The foreclosure crisis then actually heaped on more to that problem and then on top of that we have very, very affordable housing here and we then have very low income homeowners owning homes who may not have a mortgage on their home but saw themselves in tax foreclosure all of a sudden. So the foreclosure crisis just like I said, heaped on more of the problem.

That issue was directly addressed through the NSP program. We had a 62% home ownership in Fort Wayne and we thought that was a really wonderful thing until we saw a lot of homes go vacant. So the purchase custom rehab program was designed so that developers who would get incentives as well as realtors with incentives would work on finding buyers who wanted to otherwise live in the core.

We have desirable neighborhoods but a lot of times we found what we call functional obsolescence meaning that many buyers today want homes that have a main floor bathroom or they want extra closet space and those kinds of things. And so the program was designed to address marketability as much as anything.

And we saw that our buyers chose homes in neighborhoods that were otherwise stable. It wasn't the neighborhood that had ten foreclosed homes on the block. It was really those neighborhoods that were otherwise great places but the unfortunate circumstances of one family who had been foreclosed upon became an opportunity for another family who was able to get a bank loan for the as completed value of that home and would be able to get that home completely renovated by a development team before they even moved in.

It's very much like a suburban new construction model except that it's taking an old home, making it marketable and desirable and then selling it to that buyer. The buyer driven model really helped us to fill in and stop the tipping in some really otherwise strong neighborhoods. We partnered with a lot of different people.

But what we found in terms of our challenges then was that we had blighted properties and these neighborhoods that were really desirable were also oftentimes in historic districts. So we really had to push the limits in terms of we went to 150% of the as completed value in terms of what we would invest per unit and that really cost us a lot.

Our unit count was actually lower than what we wanted it to be because it cost more to do the lead remediation and having to do extensive work in historic districts to address the historic preservation aspects. So we worked with our local code enforcement agency who when the house was too far gone could give us the blight designation.

That was a really strong point to the program was making sure that we never tore down something that should remain standing. And then finally, I'd say realtor buy in was huge when realtors could make more money by selling homes out in the suburbs and we had to lure them really back into the core.

And part of that was really providing that competing option and providing a realtor incentive of either $6000 or 6% of the sales price, whichever was greater for the buyer's realtor. That was really important in getting realtors to come in and look at neighborhoods that perhaps they had never looked at before or weren't willing to look at because they were in areas they hadn't been to.

And so as a result we're really pleased. Here are some photos of homes that were completed through the program. We really felt like the green house, the lower left, that is a very, very old home that has about 3000 square feet in it and it's just a wonderful now home to a family and we have seen other home owners on that block since then actually take it upon themselves to start making renovations to their homes. This has really made some old vacant houses into homes in Fort Wayne.

Marsha Tonkovich: Great. Thanks Heather. And those houses just look gorgeous. It's wonderful that you were able to sell them. And a quick question from me - so how has the marketing been going in terms of getting folks to buy these beautiful homes that you guys have created?

Heather Presley Cohen: Because it was a buyer driven model we have actually sold nearly 100% of the homes. So we are completely done with the first round of NSP in almost every sense of the word. We are now into spending program income.

Marsha Tonkovich: Terrific. Okay. Well, I'm going to go through one more presentation by Mike in Redford and then we'll come back and take some calls and questions from your colleagues. So Mike, let's move on to you in Redford.

Mike Dennis: Okay. Thank you. My name is Mike Dennis, I'm the Community Development Director in Redford, Michigan. We are a town made up of approximately 50,000 people.

We are the first community just west of Detroit and we were hit very hard with the foreclosure boom and the property values dropping probably started right in 2008. We started to see a little bit of an upturn with the economy last year and it's sort of leveled out for us and hopefully some of the property values are starting to go up with the funding that we've been putting into our local neighborhoods.

We received $3 million in NSP1 funding. We did not receive any funding through NSP2 or 3. One of the things that we have done is we sort of made our program more personal. We made our own acronym. We actually call our program SNAP program, which is the stabilizing neighborhoods action plan program.

We came up with our own logo and so when people would see our signage around town, they would know that was a township project. One thing we have done with our money is we have really utilized our funding. We have purchased to date we just acquired our 58th property through SNAP. And out of the properties we have demoed a quarter of them.

And we are right now looking to sell properties to the neighbors or we're going to start constructing here in our phase five, constructing new homes on certain properties. A few of the challenges that we're having is we're having a problem with crime. We're having quite a few properties that have been broken into over the last few months.

And it's starting to hit us multiple times where we're having to go back and fix properties that are still on the market. So we're looking to change up our philosophies on moving our housing stock a little faster. Something that's a little different to our program is we handle everything in house. Our staff handles everything from A to Z.

We handle all of the applications, we handle all of the contracting, specs, payments, closings, etcetera. We do everything from A to Z and basically we have subbed everything out. It was our philosophy that we wanted to get as many opportunities for the construction business as possible. So we also hire a general but we also sub out everything from plumbing, mechanical, electrical, insulation, basement waterproofing, fencing, etcetera, to try to create opportunities locally but also in southeast Michigan.

That has had a great success where we have had over 700 people have had an opportunity to work here from a half a day job to multiple weeks worth of work. In regards to our marketing we have actually been doing a lot of marketing over the last few months. And we have sold right now 20 properties that have been fully rehabbed from the time that they were foreclosed to the time that we've sold.

And we have another right now 12 properties pending that are either in the final sales process or are under construction. One thing that has been easy for us lately is that potential homeowners are buying properties before we even get to them. They're seeing properties that we have already completed and at that point they're seeing what we're doing.

And then they like a home that's in a different neighborhood and they're buying it with our estimated costs. And so they are getting to choose their colors, their products that meet all of our standards. It's become more of a personal touch and I think the potential applicants are liking that they're working with our staff.

They get to know our staff and knowing that we're right here. If they have any questions they can just walk in at any time. One thing with our program that helped out a lot was that we did purchase 36 properties right off the bat through the HUD dollar home program. That was a big benefit to us to acquire properties.

I think we paid approximately $24,000 and we acquired 36 homes right off the bat. So that really got us started and really made SNAP a household name here in Redford Township. We have also been dealing with the property values. It has been a bit of a challenge here where values dropped so severely due to the local economy that the work that we've been doing on our homes has been increasing the values at a slow pace.

But it slowly is increasing in every neighborhood north to south, east to west. So a lot of people are starting to realize that the local dollars that we're putting in through the federal level are making a difference within our township. A few other things - we're also tearing down homes, we have done that. We just finished our 18th property.

And we have also completed - we're starting our second project with Habitat for Humanity and they will be hopefully breaking ground within the next month on our second home. And it's been a lot of work, something new for all of us and it's taken on a great success. And right now we have generated a large amount of program income.

We're starting to use that and we have potentially this turning into a very long process for us and hopefully some great success.

Marsha Tonkovich: Great. Thank you very much. A couple questions for you - so you mentioned that you did some demo and that you're going to go ahead and reuse those properties. And you mentioned selling it off to the neighbors or other plans. So what's the plan for reusing those vacant properties that you have?

Mike Dennis: Well, the ones that are more suitable, we've been purchasing properties that have been blighted and they're sort of on an irregular sized lot. Back in the day they were just popping up houses in the '50s, '60s and on on a lot that was 35 feet wide.

It's not buildable in today's market so we're working with the neighbors' houses, their house lots are more to our liking. We're actually going to construct new housing and then work with either Habitat or a few other nonprofit agencies to make those homes affordable for our local homebuyers.

Marsha Tonkovich: Terrific. So the irregular ones are the ones that aren't rebuildable, you're doing some side lot program with the adjacent owners.

Mike Dennis: Yes. Absolutely.

Marsha Tonkovich: Got you. And I know that's a very common program in Michigan so I just wanted to raise that because I know a lot of other grantees are interested in such a program.

Mike Dennis: Yes. We were back in the 1950s, our community was built roughly from about 1950 to 1959. And we were 98% built by the time 1959 hit. So we don't have a lot of room for expansion and anything that was left - right now as of 2004 we were 99.4% built up.

And so there was no room for any expansion other than schools being torn down or factories.

Marsha Tonkovich: So doing this is enabling you to have a little bit more green space in between some of these homes it sounds like.

Mike Dennis: Absolutely.

Marsha Tonkovich: Great. Okay. Terrific. So let me go ahead (Justin) and see if we have anybody on the phones either for the folks who are in Redford or in Fort Wayne. And if not, again we'll take questions at the end as well. So (Justin), do we have any phone calls queued up?

Operator: At this time nobody has signaled for a phone question. But once again, it is star, 1 if you'd like to signal for a phone question. Again that is star, 1.

Marsha Tonkovich: Okay. Terrific. Well, let me move on then to our next panelist and again, there will be an opportunity for everybody to join in on and ask questions at the end. So with that I'm going to turn it over to Joanne from Westland who will talk a little bit about their program.

Joanne Inglis: Hi. I'm Joanne Inglis and I'm the housing and community development director for the City of Westland. We are also a suburb of Detroit and actually Mike and I are almost neighbors and we work together on a lot of different programs. So it's fun to be together on this little panel.

The City of Westland received just barely over $2 million so we just made the cut to be a direct HUD grantee, which was we were very thankful for. And it was just about double of what our CDBG allocation is. We didn't receive anything under NSP2 and we have requested funds from Land County and from MICHTA but we haven't heard whether or not that will be approved.

But the city has made a concerted effort the last two fiscal years where CDBG and home funds have been allocated to continue the NSP efforts. And we just continue to call it NSP and it makes the staff a little confused about what pot of money it's actually coming from. But we keep it all straight with great spreadsheets actually that we got from Mike in Redford.

Our program actually when we started the program we had some benefits in that we already had a homeowner repair program in place and we already had a homebuyer program in place. So we had a little bit of familiarity of what some of the activities would be under neighborhood stabilization. But we didn't have the in-house staff capacity to oversee all the renovations like Redford has done.

And so with that we kind of broke our program up into three areas. We partnered with developers, we partnered with nonprofit organizations, Habitat for Humanity and then also one of our - we have one neighborhood in our city that was built during World War II and a lot of people think it was built as temporary housing for the war effort.

It was not. It was actually built as housing for the war effort but never meant to be temporary. And but the neighborhood has been very neglected over at least the last 30 years. And so there are a lot of blights and a lot of demolition that was needed so that was the third part of our program. We would say our best practices have been - we have the number one thing that I'd say is great about our program is the partnerships that we have created.

We have very good partnerships with two developers. However, we have also been able to create a great partnership with Habitat for Humanity. They renovated two houses for us and built three houses. It was one lot that we got through the dollar home program that had one house on it that we were able to build three houses with the NSP money.

And that was a real benefit for that street. And but one of our favorite things is that we are working with our Wayne Westland Community Schools building trades program and if anybody has a building trades program through their local public schools we highly recommend looking into partnering with them.

Not only they built a house for us and they're renovating a house for us. So we have zero labor costs on those projects but we also saved the building trades program because of the foreclosure crisis and how hard it has hit Detroit in the suburbs. It's very difficult to sell homes right now. So the building trades program wasn't able to build any houses out of the school program and the school budget because they couldn't sell the houses that they had built in the last couple of years.

So by partnering together we actually saved that program and we're actually - we really, really are enjoying working with the group at the public schools. We also partner with a brand new group called Life Remodeled. And we provided the property and through donations and volunteer labor they built a home and they're actually helping to create a reality TV show out of it so that they're able to build more affordable housing.

And they didn't just build the house. They provided financial counseling and family counseling and other things like that that the family needed to help them become successful homeowners and also to give back to the community. So those have all been wonderful partnerships. We definitely have the same challenges that all of the Detroit suburban area has and that is in families being able to get approved for mortgages

As everybody knows, the credit market has tightened up and that has been I would say our biggest challenge. To try to address that we have recently put notices in our water bills, another idea from my friend Mike in Redford. We're starting to take applications in house. We were having our developers oversee that part of the program.

But we're feeling a little bit of the desire to take applications in house so that we can have a little more control over that process. And we have toyed with the idea of repurchase. We do have it on two of the properties so far. We don't want to do repurchase but at the same time we feel better to have a house occupied than sitting vacant because people are not quite credit ready to get approved for one.

The second challenge that it shows is the (Norwayan) subdivision and that's the area I talked about that was built during the war. And actually it's a challenge that has turned into a great project. We have wonderful synergy and the demolitions that we have done have led to just a lot of great activity. Some of the property has been used for a community garden.

We also oversee the energy efficiency block grant in our department and we established a partnership with DTE, which provides the energy/electricity here. And they're doing an outreach education program for all of the citizens and most excitedly the (Norwayan) citizen council has reformed and they are taking the community back into their hands.

And I think when NSP started we really talked a lot about the bricks and mortar but we didn't talk about the human element as much. And I think that now we have been able to bring the human element into this community. It's making a really, really big difference. And we have some pictures here. You can see the community garden getting started.

They had to do raised beds because we don't have good soil in this part of the city or this part of Michigan. And so they did raised beds. They brought in the first produce today to give out during commodity food distribution. You can see the Habitat for Humanity women build so not only were we building houses with Habitat but they got a grant to do one of the few women build sites in the state. So that was exciting.

And there you see a demolition project as well as the house that was recently completed by a building trades program. So we look forward to just continuing with doing as much as we can in this type of work and you know, our CDBG grant and home grants are much smaller than NSP but we'll just do whatever we can to continue the program.

Marsha Tonkovich: Great. Thanks Joanne. A couple questions - so tell us a little more about the community garden. I don't know, was that funded with NSP or was it CDBG money? And how do you get the neighbors involved in that program?

Joanne Inglis: Okay. Well, this was part of that great (Norwayan) synergy I was talking about. We had two houses that we had torn down on adjoining properties and I one day in March I want to say I received a call from a woman who said I'm getting trained on doing a community garden, I'm getting funding for it and does the city have any property we could use?

And so I very excitedly said absolutely because the (Norwayan) citizen council had already started forming and one of their goals was a community garden. So we had already identified the property and just really out of the blue they called and said do you have any property we can use? And so that's how it started. And where you see those boxes there are 20 raised beds.

And the citizens council requested donations for sponsors for each of the boxes, just $175. But in one week they received sponsors for each of the raised beds. And so that just allowed them to go out and buy the supplies. The city was going to provide the top soil but we had so much rain this spring they weren't able to make it.

So they had to put the funds into that but they have in this picture I can see folks from the Methodist church down the street, from the Salvation Army, which is across the street, the Life Remodeled group that's part of Ecclesiae church, they have been volunteering. So it's been not just the residents of the neighborhood but the faith based organizations are getting involved. It really is wonderful to see the success of that.

Marsha Tonkovich: That's terrific. And what's been the reaction of the neighbors, not just the folks who are members of your various partners but just the folks who happen to live in this neighborhood? What kind of feedback have you guys received?

Joanne Inglis: That's a good question because at first especially some of these people who live right around the garden, at first there was a lot of skepticism that it would be vandalized or - I mean there was even like when we started the demolition and this is when I talk about the human element.

Some of the residents were fearful that the city was going to tear down the entire neighborhood. And that of course is never the intent but because we didn't have a community meeting to talk about what we were doing people have fears and that's understandable. So with the community garden there was a little bit of trepidation.

Mostly just from the people living close to it but as soon as it got planted the positive reaction has really been great. And one of the reasons was a lot of people thought they would be vandalized quickly. And knock on wood there hasn't been anything of a negative nature surrounding the gardens.

Marsha Tonkovich: Perfect. Well, great and I'm sure your colleagues may have more questions about that. So let's move on to Susan and talk about Hamilton County, Ohio.

Susan Walsh: Okay. Hi. I'm Susan Walsh and I'm the community development director for Hamilton County, Ohio. Just to give you a little background on our community, we're an urban county surrounding the City of Cincinnati.

And we have normally 40 participating communities in our community development block grant program. And our normal CDBG allocation for a year was between $3.3-3.5 million so as you can see on the slide our first allocation was quite a bit more than we're used to getting. And so when - just to give you a little background on the program.

We determined that 15 communities out of the 40 were targeted for NSP1 and we allocate our funds for CDBG projects based on the community priorities. And so we decided to do NSP the same way that we in these 15 target communities we asked them how within the things that you can do for NSP, what are the things that you feel are needed in your community?

And so some communities felt that they needed more demolition, some wanted to do more acquisition rehab, some rental and so forth. And so that's kind of how we decided within some limits because we did say we didn't want to use any NSP money for infrastructure or public building.

So we ended up with acquisition rehab of single family homes, some new construction of single family homes, demolition of both residential and commercial blighted properties and then I'm going to talk about the big rental project we did. After the demolition of the different when we did do demolition, those lots were used as mentioned earlier in some of the other communities, some were used for green space.

Some were deeded to eligible neighbors and then we did do one community garden and that community garden was funded by a separate grant. It was a local program called We Strive and so that was very fortuitous that that happened at the same time. So our 25% set aside funds we decided we would invest all in one project.

And so let me go to this next slide and what it was was it was a complex called Valley Homes and this was temporary worker housing during the war. It was built in 1941 for defense workers at an aeronautical plant nearby, which is now General Electric. And it was meant to last seven to ten years. This project was still being occupied almost 70 years later.

And the taxes were way behind. As a matter of fact it went into tax foreclosure, it was condemned and it was severely blighted. But one of our biggest challenges for our NSP1 program was the fact that the whole site was not vacant. And as everyone knows, we had to - one of the qualifications is it had to be vacant.

And so we worked with HUD a lot on this to try to get it to qualify because it had money under low income housing tax credit for redevelopment. They were going to tear it down and rebuild. But there was a large funding gap and the NSP funds, the 25% set aside was exactly what they needed. And so it was just going to be a wonderful project but we were having a very difficult time getting it to qualify.

And so we had meetings and phone conversations with HUD because we were trying to determine many of the buildings were vacant but not all of them. And anyway, right at the time we finally got HUD to concur that yes, we can qualify this, the new definition came out and this project qualified all three ways.

And I think we might have even had something to do with how they made out that new definition because this was exactly the type of project that was good for NSP but just didn't qualify. And so after the new definition of course it qualified fine. So that was and I'll have some pictures in a minute. Then some other things that we did is we partnered with Habitat for Humanity as mentioned earlier on some of the other people that are on the call.

And when we did partner with Habitat, that was not part of our set aside funds. But as it turned out all four of the families that they remodeled houses for were below 50% of median income. And so because of that now with NSP3 funds we are using Habitat for Humanity to do all of our set aside funds because they obviously can find the families and qualify the families that are below 50% of median income.

Because originally we didn't feel like that we could gear that to the homeowner market but we found that we could. Another partnership that was really beneficial was we partnered with a nonprofit developer that had done development in the past but had not been doing too much lately. But they worked county wide and that was very helpful because we had these 15 different communities.

And they came forward and then they worked with the National Community Stabilization Trust, which was very successful even as I heard across the country that people were having trouble getting properties through the trust, we were having great success with that. And so very many of our houses that we acquired came through the trust and through this partnership.

And so also just mentioning back to Habitat, again it was a little bit of a learning curve because we had never worked with Habitat before and they had never in our community, they had never worked with government funds. And so this was a new learning curve for them so obviously they needed some training on the regulations.

But now, you know, they are poised to use some of our NSP3 funds so that has worked really well. And then we also provide a soft second mortgage between $10,000-14,999 for anyone that buys the NSP homes and it’s an incentive to buy the homes and also of course to ensure the affordability period.

We forgive it 20% each year. So I wasn’t going to talk about NSP2 because I know that probably a lot of people on the call don’t have an NSP2 grant. But we did get NSP2 funds and then NSP3, all of the experience that we got with NSP1 has really helped us move quickly on NSP3. And we’re only doing two targeted communities and again we’re working with Habitat for Humanity and nonprofit developers.

So I’ll just show you some pictures. This is just the before pictures of it’s now called Village of the Valley and there were very many of these buildings. There were about 20 some buildings like this and so these are the before pictures. And just a few just to give a little bit of a flavor of what it was like. And then looking now at the after pictures, the first phase of this complex is they built 40 single family - they're like little villas.

And it's senior housing. They are two bedroom units and they're just beautiful and everybody's really happy with it. So we're actually investing NSP2 funds into another portion of that land to do some more development.

Marsha Tonkovich: Thanks so much Susan. That looks amazing the transformation. Tell us a little about what has so - I think you had told me previously that you were about 20% occupied on this property. At the time you were trying to make out the definition to work and everything. So did those existing tenants get to stay or did you have to do relocation or what happened there?

Susan Walsh: Well, they actually - many of them were relocated to other properties nearby. So the people that wanted to live in the new development were able to be relocated and then move back into the new complex.

Marsha Tonkovich: Great.

Susan Walsh: So we did have to use some relocation funds.

Marsha Tonkovich: Okay. And across the country there are folks who have sort of set up rules and say we're only going to do vacant properties, we're not going to do anything that's occupied.

And as we've kind of moved through those vacant properties there are now a lot of sparsely occupied as yours ways, but nonetheless occupied properties. And doing relocation is a part of therefore addressing those properties. So it's a good example that you guys were able to make that work.

Tell us a little bit about the demand for these properties. Have you done marketing for new tenants or do you have a waiting list? How is that going?

Susan Walsh: Well, the developer that did this project is handling all the marketing and it's actually kind of a confusing set up but it's like a cooperative but it's not actually owned. It's a nonprofit cooperative that owns the land but not the buildings.

And so those people that were part of that cooperative had the first rights to these and of course they had to be elderly and they had to be below the 50% of median income because that's what the funds we used. But anyway, you know, it was leased up very quickly and it was completely leased up by the end of last year.

So our project was complete, which was kind of a relief to know that that was satisfied because as everyone knows, the 25% set aside, you do have to have it occupied as part of the requirements.

Marsha Tonkovich: Excellent. So great. So you guys have actually been able to lease up all of the existing units and now you're on phase two you mentioned under NSP2.

Susan Walsh: Yes.

Marsha Tonkovich: Terrific. And it does look like an amazing transformation. What's been the reaction of the surrounding neighborhood?

Susan Walsh: Well, it's very inspiring because this is a very low income community and this particular area with all these dilapidated buildings was very discouraging to all the neighbors.

And this has just been so uplifting and we're hoping that it's really going to transform the area. Part of our phase two is rental but we also have a part of phase two that is some home ownership. And we're hoping that that will be occupied quickly. And we're doing some other work in the community with demolition also.

But it's a very poor community and so this is really a highlight of this whole community.

Marsha Tonkovich: Wonderful. And for phase two is it going to be elderly as well or is it going to be family housing or have you decided?

Susan Walsh: Yes. The phase two is family housing. So it's rental with townhouse rentals and then also some home ownership.

Marsha Tonkovich: Terrific. Great. Well, that's really a great story. Let's move on to Rita in Columbus, one of your nearby neighbors and talk a little bit about what's going on there.

Rita Parise: Thanks Marsha. This is Rita Parise. I'm the housing administrator. I work for the Department of Development. Our allocation of NSP, we have actually been in all three rounds and we have totaled in excess of $50 million.

To give you some idea of what kind of a life changing opportunity this has been for us, our annual allocation of home and CDBG combined is probably in the $10 million range. So things have gotten far more interesting and far more complicated than they were just a few years ago.

Columbus is a very interesting market in that the Columbus metropolitan area is in fact growing. There are many areas of Ohio that are not seeing growth. Obviously communities like Cleveland are seeing a decrease in population. But we are in fact growing. However, we did have a very high level of foreclosure within the city particularly within the urban core primarily driven by a substantial amount of predatory lending that was taking place within the city and frankly within the state for the few years preceding the mortgage meltdown.

So there was lots of property to choose from. One of the things that gave us a leg up in terms of how we proceeded on NSP1 is that our mayor and city council two years prior to this had initiated a program called Home Again in which vacant and abandoned property using city council managed bond funds was being acquired and redeveloped for home ownership opportunities to start to begin to address the vacant property population within our city.

So it was not a completely new concept to us but it was still a much bigger dollar amount than what we had been accustomed. In dealing with our allocations, working with our 50% AMI population, we have been successful in securing tax credit reservations and/or state NSP funds in conjunction with city NSP funds to do rental projects.

In NSP1 we have got three tax credit and/or state funded NSP projects. We did two independent rentals and we also have a wonderful relationship with our local Habitat affiliate who has done a really outstanding job in embracing our program and working with us to bring both programs forward. We have done a total of 83 rental units.

We have done a total of 50 for sale units. Now that doesn't sound like a whole lot with $22 million but frankly we took the approach that what we needed to do to make sure that we could make these properties move was to have essentially 100% construction financing. So if a developer had already acquired a vacant or abandoned site they may have their sunk costs in that but essentially we were doing 100% of the construction cost.

The benefit of that is once a buyer is found we're able to close very quickly because we don't have to figure out where the money is coming from to provide any kind of affordability or development gap financing. We're able to move just based on what's already been disbursed. And that has worked out really well for us.

Another activity that we funded was home buyer education. We were seeing a significant decrease in our CDBG program income at the time. We weren't able to continue home buyer education under CDBG so using NSP to work with our homebuyer counseling agencies throughout the community to have free purchase activities for folks who are NSP eligible has worked out to be a very good strategy as well.

Moving on to - I'm trying to make it work - best practices, we picked our areas of greatest need in our NSP1 by looking at not only the existing foreclosure data within HUD but also the threat of future foreclosure. And if a neighborhood scored high in both of those categories, that is what made it an area of greatest need in our NSP1 application.

Once we decided those areas then we went out for an RFP and we contracted with BWB Research to do a market study of all of those areas and recommend investment strategies with our NSP funds. The market study gave us results for four different levels of neighborhood stabilization. The one was considered at risk neighborhoods, one was destabilizing, the stressed neighborhoods and then potential recovery neighborhoods.

Potential recovery neighborhoods were essentially distressed neighborhoods but they had some kind of promise for potential recovery based on either partnerships that were within that neighborhood and/or city investment. And so we tried to focus as much of our resources in terms of the home ownership program that we did in the potential recovery neighborhoods and then try to focus our rental efforts more on the distressed neighborhoods realizing that at risk and destabilizing are still needy neighborhoods.

But we really wanted to focus and turn those neighborhoods that were most distressed and most troubled around. One of the things that we did was we had one of our staff people research the enterprise green building standards as well as work with accessibility. And we developed our own building manual called the AWARE Manual.

And AWARE stands for accessible, water conservation, air quality, resource conscious and energy efficient and it is the standard by which we expect all of our developers both rental and home ownership to build their properties to. This standard was developed in conjunction with Franklin County, which is where Columbus is located.

Franklin County is actually one of our consortium partners in our NSP2 application and so it is really the accepted standard not just for the City of Columbus but anywhere in this community for what the building standard is expected to be. We have seen a lot of success with that. We have seen a lot of really good acceptance in the market.

Moving on, we have what we consider a cross city departmental team. We have biweekly meetings of what I name the NSP team. My director tried to make me the NSP team spokesman and I elected to take the title of NSP team cheerleader because I just really want to feel like I can advocate for everybody in terms of what they're trying to get done.

But we bring a diverse amount of talent to our program. We have folks that are really good at mapping and so they can help us sort through the data to determine where we need to go. We have a realtor in our land bank who is very good at finding opportunities and being a really tough negotiator to get properties that we need and a variety of development staff who are very talented.

So we have been really, really lucky in that regard. Our activities have really spanned the gamut. Demolition we have done in NSP1 about 94 demolitions and we anticipate about 91 in NSP2.

NSP3 is still to be determined. We already had a land bank. Our land bank already had a substantial number of properties.

In addition to that under Ohio law we can work with our county treasurer and we have the opportunity to request key and critical strategic kinds of properties through a tax foreclosure process. So if a property has been abandoned for an extensive period of time, taxes are not being paid, the city is able to obtain title of those properties, wipe the taxes clean and start over.

And that has been very successful for us and a great strategy in building up an inventory of property. IN addition to that because we have such a talented land banking team, we were able to go out under NSP1 and acquire 264 foreclosed properties. Average purchase price of about $12,000 a piece. We had anticipated when we did our initial budget it would cost us $25,000 a site to purchase property.

But we were actually very successful and some of that has really been the talent that the team and the group has brought to this process. Another thing that we do, we meet with our developers on a quarterly basis. So as we analyze data and as we see what neighborhoods we want to go into then the next step is frankly finding a strong nonprofit development partner that is able to go with us into these communities and make things happen.

We then meet with them on a quarterly basis and give them updates on what are the technical developments going on in NSP, what kinds of things are each one of us seeing out in the field? We have lenders come and speak each quarter so that the financing products that are available right now in a very difficult market we make sure that everybody is up to date on those.

Around to our challenges because we have had some, we have had a lot of issues with theft and vandalism and specifically working with the theft of brass and copper in and around wiring and plumbing. Believe it or not, even using the plastic piping within the house you still have to when you connect from the city street into the house, there is a brass fitting.

And we have had folks break into homes and dig through the foundation to get to that brass fitting and steal it. We have been very lucky our neighborhood police folks are set up on a neighborhood basis. We have also been working with the detective that works the scrap yards throughout the city. So we have been working on different kinds of identification issues.

As a result of having these kinds of issues we have also been working with our building construction services department so that quick turnaround relative to inspection requests particularly when you're hooking up electric to the house so that you can install tattletale alarm system and then also the placement of heating and air conditioning units so that they can be done very close to occupancy.

Another thing frankly that we have had to go to is seeing the air conditioner units that are done on the exterior of the home put in cages and locked down so it makes it much more challenging to get anything out of there. So it has been a very interesting and a very expensive process. Another thing that our developers have learned is not to put appliances in the house until you are ready for occupancy or you may not see them by the time you are ready to go.

So it has been a really interesting process. We have learned a lot. We continue to learn. I want to see if - yes. We got our picture in here. I wanted to show off my picture. This is 766 Carpenter. This project was acquired and redeveloped by one of our strong nonprofits on the south side in partnership with Nationwide Children's Hospital and their Healthy Families Healthy Neighborhoods project.

766 Carpenter as you can see at the beginning was not exactly a tourist attraction. But following completion this property is located very close to a brand new elementary school and it is a very

desirable street. There has been a lot of city work done on this street and this home has already been sold and we have a happy homebuyer already living inside.

Marsha Tonkovich: Terrific. It looks gorgeous. I'm sure the neighbors next door, which also looks like a nice house, are thrilled with the work you guys did.

Rita Parise: Yes. The whole neighborhood is happy.

Marsha Tonkovich: I love this idea that you guys sorted the neighborhoods based upon the market study that you did into the four classifications that you mentioned. And then you talked about the fact that you focused the homebuyer program on I think you said potential recovery neighborhoods?

Rita Parise: Yes.

Marsha Tonkovich: So tell us why - so that's not the worst of the worst, right? That was sort of in the middle range of the neighborhoods. Is that right?

Rita Parise: Well, in the four categories at risk would probably be the least troubled. Destabilizing would then increase that, distressed is obviously at the bottom of the pile.

The potential recovery is actually defined in the market study as a distressed neighborhood that has an opportunity based on either partnerships going on in the neighborhood and/or existing city investment to see a better rebound than a distressed neighborhood overall.

Marsha Tonkovich: And so I'm sure there was a lot of politics involved in how you guys invest your money and we have seen across the country some folks have tried to take on the worst or the most challenged neighborhoods and met with some success in some places and not in others.

Tell us a little bit about why you guys chose the potential recovery neighborhoods for your homebuyer projects rather than the distressed neighborhoods.

Rita Parise: The potential recovery neighborhoods, number one, the one thing that I have to say is we were exceptionally lucky in that politics was really not overlaid into the decisions that we as a team were making.

But the market study that came back said that potential recovery because you've got some kind of synergy going on in an otherwise distressed neighborhood is your best target for your home ownership investment because there is something else that is bringing some excitement to this community besides just the city investment of NSP dollars.

Marsha Tonkovich: And so there was the chance to really turn around this neighborhood to sort of have that tipping point argument if you will with your investment in this neighborhood.

Rita Parise: Exactly. Exactly. And of the investment recommendations that we've gotten we feel that we have done exceptionally well in this particular neighborhood in this picture is south of downtown Columbus, adjacent to Nationwide Children's Hospital.

It has been in terms of our investment for home investment partnerships and home ownership, a very difficult neighborhood to sell houses in. But we have done exceptionally well in this instance. These homes I think because of the energy efficiency, the green building standards, the accessibility, they are very popular. And they are selling much faster than we ever believed would be possible.

Another neighborhood that we're working in, which is just east of downtown in the King Lincoln district, we have actually seen a pretty decent improvement in the appraisal values in this neighborhood as a result of this investment. So we're very excited about how things are going.

Marsha Tonkovich: Terrific. So you guys have really focused your investments. You guys, Columbus is a big city and it sounds like you're focusing your investments in these target neighborhoods.

Rita Parise: Exactly.

Marsha Tonkovich: Excellent. Okay. And I think some of your colleagues I imagine will have questions about that when we get to the open end of this discussion because I think that it's been a debate.

And if people are getting into NSP3 it certainly should be part of that conversation. So with that, let's turn on to Kate who is going to talk about the State of Wisconsin and then we'll come back and do an open forum at the end here. Kate, are you there?

Operator: And Kate placed herself on mute but I'll go ahead and open her line.

Marsha Tonkovich: Okay. So Kate, are you there?

Kate Blood: Can you hear me?

Marsha Tonkovich: Yes we can now. Kate, you're all set.

Operator: Kate, your line was open. It sounds like you - I think you might have accidentally pressed star, 6 again.

Kate Blood: Okay. Yes. I did it a couple times to get it open. Okay.

Operator: Yes. You're open so go ahead. Thank you.

Kate Blood: All right. Well, I'm Kate Blood. I'm from the State of Wisconsin through the Department of Commerce and I'm the program manager for the NSP program here. We have a fairly different perspective from what has been presented so far since we are a state.

And so we're kind of zooming back a bit now in terms of how I'll be looking at the program as opposed to how you other presenters have been able to focus in on the projects that you've been doing. For NSP1 we had just about $39 million and it was awarded to 31 grantees across the state. So what we did was we looked at different regions.

We accepted applications and we made sure that the highest need census tracks and communities within those regions were awarded NSP1 funds. We have achieved 616 units out of that and so far what we've got is about 21% rental. And when I say so far, I'll get into this a little bit later but what we're seeing is that for some of the grantees having resale projects right now, which they thought was going to be feasible at the beginning of the program they're realizing is not feasible.

And so we are allowing them to switch some of their projects from home buyer over to rental projects. We also have NSP3. You can see we got the minimum state amount, $5 million. When we did the application for this I structured it so that I gave additional points obviously not only for the highest need but also for rental projects and also for supportive needs projects.

So we have gone up from 21% to over 34% for rental and 13% of the units, which came in for NSP3 are for supportive housing for physical disabilities, homeless adults and families and homeless high school students. And we made sure also as well that not only were the grantees able to provide the housing but that they were also aligning themselves with service providers so that we could see that there were services to back up the housing for these folks.

Program activities - we really have done all of them. Our housing finance authority did the financing mechanisms and then all of the other grantees picked what would work best within their particular market. And it really depended on whether it was rural or urban, whether or not it was a community with good employment, whether or not there was a lot of volatility in the market.

And so what we did was we really looked carefully at the market analysis that they were coming in with to make sure that we agreed with the types of housing and activities that they were choosing. Some of the challenges that we found had to do again with a lot of the market conditions and how volatile we found both the housing and also the employment environments to be in Wisconsin.

I'm sure that's not unique to us but what we found is that because applications for NSP1 were done back in '09 and we're now two years later that a lot of the conditions, which people had been counting on when they wrote the application were no longer operating now that they're coming into the time for disposition of these properties.

And so what we have been doing more and more is allowing the grantees to come back to us and talk to us about what is and is not working in terms of being able to sell these properties. And if in fact we find that these properties would work better given the employment situation, given what's happening in the community, the market demand for rental versus the for sale.

We allow people to change their contracts so that they can switch houses from one category over to the other, from resale over to rental. And that has helped out a lot of the grantees so that A, they've got some cash flow and also it's addressing the needs on the ground for their particular constituents. One of the other things that we have had a number of issues with that our grantees have told us about is how hard it is to get the 50% CMI households into the resale units.

And one thing that we have been working with our grantees more and more to do is to allow more of the direct homebuyer assistance to stay in the project as a soft second or a silent second so that they can allow those solid households at 50% to still be able to get into the property, have it be financial sustainable.

But what we're encouraging them to do is to try to structure the recapture so that they either recapture all of the second during the affordability period or forgive less of it so that they can get more of the funds back as program income and be able to use it again. It'll depend of course on whether or not it's a declining real estate market.

But essentially if we're going to be providing a lot of subsidy we want to make sure that we're doing it in a way that isn't providing undue enrichment and at the same time provides the community with more of those funds that may be coming back during the course of the affordability period. One of the other big challenges for us was obligating the funds in a timely way.

And this is going to be the same sort of issue that we have with expending funds for NSP3 since it's using that criteria for NSP3. And as all of us Midwest folks know, we have a seasonal building season. And so what we find is that how funds are obligated and certainly how they are expended depends a lot on where we are in the building season.

So what we have tried to do which has worked very well for NSP1 is to use both a carrot and a stick. The carrot was that we held back about $2 million out of the $39 million in NSP1 and used it as an incentive award, which we did about six months into NSP1.

And we encouraged those grantees who had fulfilled the contractual obligation for the number of units that they would be obligating on every quarter and who had projects that were ready to move on and that they could obligate funds on quickly to come in and request more of those funds. And so we found that that was a wonderful incentive to be able to get the grantees to be keeping up on their quarterly agreements in terms of what they would have obligated and how many units they would be accomplishing.

The other thing that we did was we used a stick. And the stick was that I was pretty strict about keeping everybody to their quarterly agreements in terms of the number of units that they would be accomplishing. So if they were not able to accomplish the number of units in a quarter that they had said that they would do we would have a conversation, figure out what was going on.

Was it something that was controllable by the grantee? I mean was it staff turnover, did they need TA assistance or was it something going on in the market with maybe foreclosures moving to another census track? Maybe it's a higher income census track, which would make it ineligible for NSP. Try to figure out what was going on.

And if it was correctible, allow them to have another quarter to be able to make that deficit up. If it was not correctible and we agreed, both the grantee and I agreed, in fact this was not something that we were going to be able to just muscle through, we would agree that I would pull funds back and then I would reallocate them to other grantees who were having better success in their particular areas.

And I mean I can say that there were no hostile takeovers of funds. We did take a number of funds back from a number of grantees but it was with their understanding that in fact they were just not going to be able to obligate and expend these funds in a timely way given what was going on in their particular area.

So the next couple of slides are some of the one of the projects that we have in West Allis. And you can see up in the upper left this was a project that was being demoed and then lower right is a rendering of the house that they have built on this site. And just as a side note, we did allow a number of our grantees to do redevelopment even though of course redevelopment almost invariably is going to be more expensive than ac/rehab.

But in certain areas we found that it was one of the best ways of providing quite a jolt to a neighborhood of encouraging a neighborhood to bring up the standards, mow the lawns, do the repainting of the exterior of their houses. And we found that sometimes it was a necessary expenditure in order to get the type of change that we wanted to see.

And this is another one of those cases. This was a fairly large site with an old Kwanza hut on it that had not been used and in fact, was a very attractive nuisance for all the high school kids. So it was torn down and a handicap accessible duplex was built providing a zero-access entry into the unit, fully accessible kitchens and bathrooms, great patios in the back.

I mean just a very nice project that they were able to achieve on this property again after demoing and then using redevelopment. So with that I think I'll wrap up.

Marsha Tonkovich: Thanks Kate. That looks great. A quick question - I read in the program that you described you said in your NSP3 funds you had 30 some odd percent of your applicants are going to be doing related to supportive housing for persons with disabilities.

Kate Blood: Yes. Let me back up. It was 34% for rental and we have 13% of the units will be for supportive housing.

Marsha Tonkovich: Great. Those are really tough units to develop as any of us who have done development know, particularly related to the rents that folks can afford to pay.

Kate Blood: Right.

Marsha Tonkovich: How have you guys designed those projects to make sure they're going to be viable over the affordability period and that they'll be able to have enough income to operate?

Kate Blood: Yes. That's a good point because that is the ongoing problem with supportive housing. And I think you'll find that no matter what funding source you're using if you're using tax credits or CDBG or NSP.

And what we're finding is you have to have a number of different layering sources. You have to have a service agency that is going to be funded from obviously a different funding source that has to have an ongoing budget. And then what you need to make sure of is that you've got no debt because otherwise you're not going to be able to make your operating budget.

Because you will not have enough income to be able to support the expenses because you will have fairly hefty operating and replacement reserves that you have to keep funded. So it's fairly complicated because you do end up doing a lot of layering, which means that especially if you have layering of federal funds you've got a lot of different program regulations that you have to make sure don't contradict each other and that you have meshed together.

Marsha Tonkovich: Yes. We have been hearing that all across the country. And that lesson you guys learned about no debt and so one of the opportunities with NSP and it's true for CDBG and home as well but is the opportunity to do deeper, deeper subsidies so there is no private debt on the property and that your money is not in there as debt or if it is it's forgivable, non-amortized debt so that folks don't have to worry about that aspect of expenses.

Kate Blood: Exactly and what you really want to end up with is a project where the entire rental income is used for your operating expenses because in essence that's the only way you're going to be able to make it.

Marsha Tonkovich: Absolutely.

Kate Blood: And even then you're going to need additional resources coming in to make up what will probably be a gap in your operating expenses.

Marsha Tonkovich: Excellent. Okay. I think that's a terrific point. So with that we're going to open up the panel and see if we have anybody on the phone.

I also have a couple of overarching questions I want to ask our panelists. So I would ask our panelists to unmute at this point. And with that (Justin), can you tell me if we have any callers on the line?

Operator: Yes we do. We have (Rachel Riley) with HUD Healthy Homes.

Marsha Tonkovich: Great. Hi (Rachel).

(Rachel Riley): Hi. How is everyone? I had a question for Rita in Columbus. I was looking at the photograph of the before and after picture of the house that they did and my eyes are trained to hone in on anything that says Healthy Homes.

And I thought I saw a sign in front of that house that said Health Homes and I was wondering were there any Healthy Homes funds from our office involved in that project? Or what was the purpose of the sign? And were there any Healthy Homes interventions that were performed in that rehab?

Rita Parise: There were no Healthy Homes funds in the housing itself. The marketing technique was a Healthy Homes sign as part of the Healthy Neighborhoods Healthy Families initiative by Nationwide Children's Hospital.

(Rachel Riley): So there were no Healthy Homes interventions but you put a Healthy Homes sign in front?

Rita Parise: Well, because frankly we do everything to Healthy Homes standards. Our AWARE building standards really look at asbestos and lead removal, gutting to the studs, starting over, making sure that we're doing the lead clearance test when it's (complete).

(Rachel Riley): Right. I'm sure that there are things that maybe we could do but I was just curious about the sign.

Rita Parise: Yes. No, it was really because of the Healthy Neighborhoods Healthy Families initiative. They weren't calling them the Healthy Homes.

(Rachel Riley): Okay. Because Healthy Homes is a lot more than asbestos and lead.

Rita Parise: I know.

(Rachel Riley): Okay. Thank you. That's it.

Marsha Tonkovich: Okay. All right. Great. (Justin), do we have any more callers?

Operator: At this time there are no further phone questions.

Marsha Tonkovich: Okay. Well, again if you're listening in and you have questions for our panel it would be star, 1 on your phone to get into the queue. So I want to ask a couple of questions for the panel.

Because I've been working across the country doing technical assistance and some of these webinars and there are some common questions that I'd like to have our panelists talk about. And I think Hunter may have a couple questions as well.

So the first one I have, a lot of you guys mentioned that on your program has had to double or quadruple because of the NSP money as compared to what you had before related to home or CDBG or other past funding. So if some of you guys who have had that experience of having NSP make your programs much, much bigger, if you could talk a little bit about how you dealt with the administrative side of that.

Did you hire staff? Did you primarily work through sub-recipients? How did you bring those staff up to speed? Was there a political issue given the times we're in in terms of hiring? So how did you deal with all of those sort of administrative aspects of having a much larger program?

Susan Walsh: This is Susan Walsh. I guess I'll jump in. Yes. That was definitely a challenge. Of course at the same time we also were getting HPRP, CDBGR and we even got a little stimulus program from the state for septic system repair and replacement.

So we did hire for NSP1, we hired one new staff person. And then when we were awarded NSP2 we hired two staff people for that. So we also worked of course with nonprofit developers and other sub-recipients but definitely on the administrative side we needed some help.

Marsha Tonkovich: So you guys were able to hire at least a couple of people. Anybody else have to do any hiring? And did you sort of have to fight the powers that be to be able to do any hiring?

Mike Dennis: Yes. This is Mike Dennis. We actually hired one person for NSP1 and it basically just became an all hands on deck basically. Just with all the other grants between block grants, CDBGR, EBCDBG and of course NSP, we were allowed to hire one person.

Our bosses here didn't feel as though even though we had more grant money, it's something that we had to take on and do.

Marsha Tonkovich: Yes. And we have heard that across the country. A lot of folks because of hiring freezes even though you guys had increased admin budgets through the 10% and of course all the other funds as well, nonetheless people haven't been able to hire as many as they need in order to operate all that funding.

And so you're right, it's all hands on deck as well as more reliance on developers and sub-recipients and all of that. Anybody else on the panel have to deal with that issue?

Rita Parise: Here in Columbus we were actually in the process of laying staff off because of a severe reduction in CDBG program income. Most of the folks who worked on the Home Again program were in fact moved to NSP funding and were able to be retained.

In addition to that, particularly on our staff that oversees construction we have added three individuals and frankly they are immensely talented. I think we were the beneficiaries of what was a very difficult housing/job market at the time that were able to retain some really talented people. They have really brought a tremendous amount of capacity with them but I have to agree with Mike. It's also an all hands on deck approach to everything we do right now.

Marsha Tonkovich: Yes. I think one more person was jumping in. Who was that?

Joanne Inglis: Joanne from Westland and we just actually that's why we decided to go the developer route because I was relatively new to the City of Westland so I had a big learning curve. And it just felt safer to go the developer route. But if we got another huge grant we would do it all in-house like Redford.

Marsha Tonkovich: Got it. Okay. Terrific. I'm going to ask Hunter if he has questions he'd like to ask to the panel.

Hunter Kurtz: Yes. I just wanted sort of an overarching question - I guess what was the largest stumbling block or issue that you faced when implementing your NSP programs?

Mike Dennis: Hi. This is Mike. I would say just buy in. People had such a negative attitude about foreclosures and the federal government being involved that people were more against it instead of taking it and saying hey, it's great.

We're going to be using federal dollars especially here in southeast Michigan with the bailout of the automotive companies. They're like all just more federal money going into a no-win situation basically. And you can see how the car companies have bounced back and it's sort of the same thing here.

They're very impressed by what we can do with the federal dollars and how we have generated 1/3 of our grant has been generated back in program income within that two year process. So it was a lot of public image about well, no, no, no, you're using our tax dollars to fix a problem that in their mind the federal government and the banks created.

Marsha Tonkovich: Excellent.

Joanne Inglis: This is Joanne from Westland and I think that we had in Westland a lot of support, 100% support politically so we were very beneficial in that. We obligated our money really fast and then the rules changed.

So that was a little challenging to just make sure that we were complying as best as possible. So you know, we just went back through our files again and just tried to feel confident that we had what HUD was wanting us to have in the files. But I think any time there is a new HUD program my belief is that the grantees are always striving to meet the HUD requirements.

And it was one of the things that helped in that tremendously was sharing information with other communities. Like with contracts, final checklists and regardless, that helped that process not be so burdensome.

Marsha Tonkovich: Yes. Joanne, this is Marsha. We did some of those clinics and I do think one of the most valuable things that came out of those was the grantee to grantee sharing of good tools that worked and things that worked and didn’t work because you guys have learned the hard way. Anybody? Somebody else was jumping in with their challenges.

Kate Blood: Hi. This is Kate again from Wisconsin. I would agree. I think one of the things that has been hardest as a state overseeing the grantees is to keep up with all of the guidance and the clarifications of the regulations

And it’s completely understandable given that you know, this was essentially emergency legislation in order to address an emergency situation. But it has been difficult sometimes to be able to stay up to date on everything, be able to guide the grantees and make sure that they’re staying safe.

And I think one of the things that has been most useful for both myself and the sub-grantees has been these webinars, the resource Web site and the trainings that are presented because that has helped enormously.

Marsha Tonkovich: Great. We’re glad that’s been helpful to you. Yes. Anybody else?

Heather Presley Cohen: This is Fort Wayne and I would concur with I think it was Columbus. The program was very well accepted in Fort Wayne. I think that we had done a lot of ground work in getting the development community and the realtor community at least engaged in what we were doing.

I would say though the biggest stumbling block really is that it was only a temporary program so we went into - we didn't get to add a lot of staff. And we really changed our lives for what's effectively from 2008 to now. And we'll continue to live this around this program. And so one of the ways we've gotten over that stumbling block is to really recalibrate our home program, which serves a little lower income population.

But effectively we'll allow us to continue the relationship with the realtors and the developers because it has been successful. We have seen increased sales in neighborhoods. We have seen a 62% increase in value in each of the units that we have been able to touch. It's been very effective.

Marsha Tonkovich: That's amazing. 60% increase in value, that's incredible. I have a written in question from one of your colleagues from (St. Louis). Did any of you get push back from residents or realtors who felt that NSP houses made it more difficult to sell their houses that were already on the market because they were so heavily subsidized and had down payment assistance? If so, how did you address that problem? Has anyone on the panel had that issue?

Joanne Inglis: Not in Westland.

Rita Parise: Here in Columbus we actually have a group of rental property owners who started sending out emails to elected officials with how dare the city do this and try to compete with us.

Marsha Tonkovich: And how did you guys combat that?

Rita Parise: You know, we really didn't have to. We frankly have done a really good job of keeping our elected officials in the loop as far as what we're doing, particularly our city council.

We brief them regularly on what our activities are, how we have made our decisions and the like. They have been very supportive and they really saw it for what it was, which was folks that were in competition who didn't want to see the bar raised.

Marsha Tonkovich: So a part of the tactic there was keep them in the loop so that the first time they're hearing about this isn't the complaint that they got.

Rita Parise: Exactly.

Marsha Tonkovich: Great. Okay. Anybody else on the panel who dealt with that issue?

Mike Dennis: Yes. This is Mike Dennis. It's actually someone on my staff who was trying to sell their home and they were trying to sell it for let's say $90,000 is what they owed and we were selling a home down the street from them for about 75.

And it was completely rehabbed and she wasn't happy because it was bringing her values down based on the sales price. And they weren't looking at it based on what the home looks like, it would bring their values up just because it's a sales price. The assessment and the appraised value we were hoping would be higher.

And so there are certain residents who think that the program is short changing them based on what they currently owe.

Marsha Tonkovich: And Mike, how did you guys address that issue?

Mike Dennis: We really didn't I mean because the problem is the homes can only be sold what our costs are.

Marsha Tonkovich: Right.

Mike Dennis: And you know, we just - sorry, I could have put more in but we're trying to also stay within a certain percentage so we can make money back to keep rolling it in.

Marsha Tonkovich: I do like your argument though and I think others in the panel said it as they did their remarks that you're seeing an increase in property values in the neighborhood because you're taking out these blighting influences. And so hopefully and one of the push backs on this issue from residents and realtors is that it should raise the property values for everybody once you take out that blighted house in the middle of the block. Anybody else who dealt with this issue? No? Okay. Another question, this one written in from (Kimberly). The question is for Heather. Heather, could you please speak more about working with realtors and about achieving mortgage financing for buyers?

Heather Presley Cohen: Well, our program was buyer driven. So we require that a buyer - you have an eligible unit and you have an eligible buyer. And the buyer eligibility was based on their ability to be able to finance the as completed value of the unit.

And talking about Midwest, this valuation issue is huge with appraisals that come in what we call sometimes low ball appraisals in the urban core, those are very common. And so what this program was designed to do was to legitimize the end value. The way that we did that was based on allowing a lender appraisal.

Basically the sale price was determined by the lesser of the as completed appraised value or the lender appraisal. And so if we determined on the front end that that house was going to be worth $100,000 at the end but the lender appraisal came in at 98, the buyer paid 98,000.

That really helped realtors to feel good about their buyer not coming into the house turned upside down and it also helped to address that valuation issue because we didn't want to manipulate values either higher or lowering the values on the block. So allowing the traditional system being the lender and the lender's appraiser which basically is working for that buyer to set the value really helped to I think get the realtors on board.

And also we saw that our units were being used as comps. Generally when you see government money going into these kinds of deals, appraisers will not use them as comparables on the next sale because they say oh well, there were other dollars involved that manipulated the value. Our program was able to actually be a true comp for other units. So that 62% increase in value actually did translate to other units.

Marsha Tonkovich: That's true. Anybody else, how did you get the mortgage lenders to be willing to lend to some of particularly our lower income buyers? It's true for all buyers right now but particularly the ones that are at 80% of AMI and below.

Did you have any lender incentives or ways that you got them to loosen up some of their criteria or at least to participate in the program?

Mike Dennis: Actually, you know something that we found out was that Wells Fargo we were informed was given a pilot program through HUD and FHA to allow people with lower credit scores to obtain mortgages.

Something here in Michigan was everyone was so on that 640 credit score that if they were anything below 640 there was no chance for them to obtain a mortgage. Wells Fargo came into the picture and said they were the only bank out there that could look at 600 credit scores or up and maybe lower depending on their debt ratios.

So working with a financial institution that was going a little bit below with the benefit of this pilot program made things a little bit easier here.

Marsha Tonkovich: Great. So I wonder if other lenders are participating in that program at this point. But that sounds like a great start. Anybody else, anything you did in order to get the lenders to participate?

Kate Blood: This is Kate from the State of Wisconsin. We were lucky because we were able to work with our housing finance authority, WEDA. And they were able to be much more specific to the borrowers.

So they would be able to take certain things into account. They would allow for a little more flexibility when they were looking at the standards. And we found that that was one of the more reliable means of being able to get especially the 50% CMI households into a property especially if we were able to increase the amount of homebuyer assistance so that the debt was both sustainable and the credit was acceptable by the lender.

Marsha Tonkovich: So WEDA acted as a first mortgage lender in that case?

Kate Blood: In a lot of them, yes.

Marsha Tonkovich: That's great. So for those of you guys who are not a state, if you're listening in you may want to talk to your state HFA because a lot of state agencies do this kind of lending or may be able to develop such a program.

So if you're not an HFA, you may want to talk to your state HFA to see if that resource is out there. I have one more question for the panel and then I'll open it up to the floor if there are any attendees on the call - program income. A number of you guys mentioned you're doing construction lending, other types of lending where you're getting big chunks of program income coming back.

How are you planning to reuse that money and track the use of that money over time?

Joanne Inglis: This is Joanne in Westland and we have been using our program income in support of the acquisition and demolition in the (Norwayan) community totally.

Marsha Tonkovich: So it's sort of more than what you have been doing.

Joanne Inglis: Yes.

Marsha Tonkovich: Okay. How about anybody else?

Susan Walsh: Well, in Hamilton County we're using the program income in the same community that it was generated to do more acquisitions and rehab until we get to the point that it's so little and then we'll do demolition.

Marsha Tonkovich: Okay. Anybody else? Got it. Anybody else?

Heather Presley Cohen: In Fort Wayne we're doing the same program that we were running before.

Mike Dennis: The same in Redford. It's the same thing. Wherever it's generated from we're just putting it right back into that activity.

Marsha Tonkovich: Excellent.

Kate Blood: In the State of Wisconsin we don't receive back program income. Our grantees keep it. They have to report to us. They have to obviously reuse it on NSP eligible activities but we don't - we approve their set ups but they are in control of those funds.

Marsha Tonkovich: And so you guys in Wisconsin are then monitoring those state grantees to make sure they're complying over time?

Susan Walsh: Absolutely yes and monitor the expenditure of the funds.

Marsha Tonkovich: Great. And one of the questions about that issue guys that we've been hearing across the country and it's something we all have to just plan for is we know that program income stays program income in perpetuity.

So no matter how many times it revolves it continues to be program income. Which means that you may well be getting program income down the road once NSP is closed out and finished you might have program income coming back after that. And so there does need to be some sort of plan for being able to continue that monitoring and that oversight of the program income once NSP is actually over.

So that's something a lot of folks are asking about right now and depending on how much program income you're getting back and how the 10% admin works, people just need to plan for that and may need to look at other resources to help supplement that ongoing monitoring if that is the case that you're getting a lot of program income down the road.

Okay. Well, maybe I'll open it up again so do we have anybody (Justin) on the phone?

Operator: Yes we do. We have (Darlene Rich) with St. Louis County.

Marsha Tonkovich: Great. Hi (Darlene).

(Darlene Rich): Hi. How are you guys?

Marsha Tonkovich: Great.

(Darlene Rich): I have two questions. My first question is specifically directed to Heather and it's about the buyer-driven system. You let buyers pick out a house. Can you describe a little bit more about the program? I mean how did you deal with URA and did you let them pick from a select group of contractors to do the rehab?

Heather Presley Cohen: Great question. Yes. That's a great question. This is really where everything sits is in your question. We actually had development teams that we trained. We had a developer. We did basically a developer registration process where we did due diligence on teams of individuals who were called the developer.

But that developer would also have a contractor and the contractor obviously would have subs. But it would have a designer and possibly a realtor in tow. And the idea was that we would train them to know what we know. So while my staff and I were completely engaged and entrenched in the whole process, we trained those development teams to be extensions of our office so that the private sector really drove the transactions.

So they were trained on all of the forms and paperwork that needed to be processed after they passed our due diligence test of course. And those teams then would go out and tell buyers, find buyers who wanted to buy homes but then show them houses that they knew qualified.

And their job was to bring us an eligible buyer and eligible unit and in exchange we had a developer fee that was an industry standard development fee. We did 20% of rehab hard costs, which is the equivalent of about 10-12% of total development costs. And then the realtor who represented the buyer would get a $6000 or 6% of the sales price.

That was their incentive and those incentives were very, very helpful in getting realtors engaged and learning about it as well as those development teams.

Marsha Tonkovich: So Heather, it's almost like you had a hybrid model where you had relationships with developers as well as relationships with homebuyers and then the two came together when you had an eligible unit.

Heather Presley Cohen: That's right.

Marsha Tonkovich: So you really had the best of both.

Heather Presley Cohen: We think so. It really has worked well.

(Darlene Rich): So you would make sure then that the developer would be only buying an eligible property, one that was vacant, had been vacant for 90 days, didn't have to deal with URA?

Heather Presley Cohen: Yes. Actually that burden of proof was on the developer. So when they submitted their home selection package our team internally would do all the verification and work with our legal team to make sure that unit did in fact qualify.

(Darlene Rich): So they brought you the package, they brought you a house and a buyer at the same time.

Heather Presley Cohen: Absolutely. And we did allow them to do one or two spec units at the beginning to get the program launched. That worked really well because a lot of buyers couldn't really see what the end product would look like.

That also helped them to be able to see what that development team, what their product looked like and the uniqueness. So they were able to select based on customer service, quality of product and so on and so forth.

Marsha Tonkovich: Excellent. And you had a second question?

(Darlene Rich): Okay. My second question goes to everybody. I'm in St. Louis, Missouri in the county and we have experienced I guess in the past four to six months a real drop off in sales.

We've got about 30 houses that sold already and now it seems like things have just kind of dried up. Is anybody else experiencing that? If you have, have you come up with some different strategies on what you're going to do with the properties that you've got sitting on the market?

Marsha Tonkovich: Good question. Panelists, has anybody else had that experience?

Mike Dennis: I can tell you this up here in Detroit we've actually sold more homes in the last four months than we did in the first 18 months. We did a mass marketing campaign, we did to all of our local homeowners we did marketing through our water bills.

We did marketing through church papers, we did word of mouth, we did some small ads and we did just probably right around late winter/early spring we really took it in-house and just went everywhere with it. And we have right now we have sold about four houses in the last month and we have 12 deals pending.

At this point we have just about 20 homes sold and we have 12 more pending over the next 60-90 days. It was just because we sort of got the word out and it wasn't that people that people who received our marketing, they told somebody. And so at this point it's been better for us than it was opposite for you.

Marsha Tonkovich: Anybody else? Has anybody else seen this phenomenon? I know it's been happening in other places across the country.

Heather Presley Cohen: This is Fort Wayne. You know, we really lived that status for a very long time and that's why we designed the program the way we did. I would recommend a couple of things.

The first would be to get in touch with your realtors association and get them to tell you why they're not moving. And then remove those barriers if you can.

(Darlene Rich): Yes. We started doing marketing events where we're having parade of homes and home buyer education. And we're trying everything.

Marsha Tonkovich: I love Mike's idea of putting something in people's water bill. That's actually creative.

(Darlene Rich): I do too. That is a good idea.

Joanne Inglis: We just did that in Westland so we're waiting to see. But Westland hasn't had the experience that Redford has. Our home sales are very, very slow.

Marsha Tonkovich: And what have you guys done, Joanne, to try to spur that other than the marketing we just talked about?

Joanne Inglis: One of the developers worked with the board of realtors to host an event and actually they work in many communities. So in one day they went to three of the communities with local realtors. That really didn't do much.

So we always advertise it now in our cable and things of that sort. So we are with the house and the building trades program (folks) we're going to film it next week and put it on our cable station and hope that generates some interest. And it just went out with the water bills this week. So I don't know what kind of response we'll have from that.

Marsha Tonkovich: Great. Anybody else on the panel who has dealt with this issue? One of the things that I've heard from folks across the country is they're having to reevaluate the level of homebuyer subsidy that they're doing, that they don't want to drive down the prices.

It's not that they're lowering the sales price of the home but rather they are doing a deeper subsidy to the individual homebuyers so that they can borrow less private money. And that deeper subsidy is forgivable or deferred or one of those sorts of things so that it's really soft money that's in the deal. And that has been generating some additional interest in some of the properties.

(Darlene Rich): Okay. Thanks so much.

Marsha Tonkovich: Sure. Any other callers?

Operator: At this time there are no further phone questions.

Marsha Tonkovich: All right. And anything else Hunter you want to ask of the panel?

Hunter Kurtz: No. I'm good at this point. Thank you.

Marsha Tonkovich: Okay.

Hunter Kurtz: And thank you all for participating. Thank you.

Marsha Tonkovich: Yes. I want to thank our panelists. I think this has been a great discussion and I'm inspired both by your pictures as well as your stories. So thank you.

Joanne Inglis: Before we end can I ask Hunter a question?

Marsha Tonkovich: Sure. Please do.

Hunter Kurtz: Sure.

Joanne Inglis: Again this is Joanne and we talked about program income earlier and we have projects that we put both NSP and home dollars into. And we know that we're going to get program income.

It's that building trades help again. So does the program income have to be divided between home and NSP? Or can we put it all into one program or the other?

Hunter Kurtz: I believe and it'd probably be best if you asked me this question offline because I'm not 100% sure I know the correct answer to this.

Marsha Tonkovich: I think I do Hunter because we just had this question come up with a grantee that John and I were doing TA with. And you can certainly reconfirm it Hunter, but the answer that went back to the other grantee is that for homebuyer programs particularly that you would prorate.

And so if we're talking about an individual home that was built with both home and NSP funds you in general and it may be simpler to have some flexibility here and you should talk to your field office but in general the answer is to prorate the program income that comes back in proportion to the total development cost that was paid by that program.

So let's say that home put in 40% of the total development cost and NSP put in 60%. 60% of the program income would be NSP and 40% would be home and the part that was home would follow the home rules and the part that was NSP would follow the NSP rules. So in general that's the answer.

Again there are some widgets in there and there is a little more flexibility on rental properties for the ongoing cash flow that might come up on a property that's owned by a sub-recipient. But in general that's the answer and I would again suggest talking to your field office just to come up with a methodology to track this. So Hunter, does that work for you as an answer?

Hunter Kurtz: That is exactly what I thought it was but I wasn't 100% sure. But with your confirmation I'm going to go with that as the answer.

Marsha Tonkovich: I think it is and John Lazarus and I were helping a grantee just last week on this exact same question. Does that help Joanne?

Joanne Inglis: Yes. Thank you very much.

Marsha Tonkovich: Sure. And like I said, I would talk to the Detroit office so you're all in consensus on that and come up with some sort of spreadsheet or something that shows how the proration worked.

Okay. Well, with that I want to thank our panelists. I think they did a terrific job again inspiring projects and we are going to try to do more of these to share ideas across grantees. And I do want to let you know you can see in the slides and they'll be in the slides that will be posted on the Web site as well that our panelists have graciously provided their email addresses.

So if you're listening in and you want to email one of them directly and ask them questions please feel free to check with your colleagues. And again thanks to everybody who joined. We'd also like to hear your feedback on the Survey Monkey on the webinar. So let us know what you liked and if you have a new topic, something we haven't done a webinar on or one of the old ones that's coming up that you want to have repeated, please let us know.

So please fill out the survey and give us your thoughts about what worked and what didn't. This link will get emailed out to you or you can click on it right now if you want to and it'll take you to the survey. So please do let us know your feedback. And Hunter, I'll let you close out with maybe a word about upcoming webinars and saying good-bye to folks.

Hunter Kurtz: Yes. Over the next couple weeks we're going to have a couple webinars. We're going to be looking on Tuesday, June 21st we're going to be doing an NSP2 strategies.

That webinar is going to be directly for specifically for our NSP2 grantees and help with strategies to meet the 50% mark in expenditures. The deadline is approaching here quickly at February 11th. Then we're going to start sort of our summer schedule at this point where we're going to try to do one webinar a week.

So the next webinar will be June 30th. That's going to be an NSP2 peer to peer webinar again for those NSP2 grantees to help them with we're going to have some high performers there to provide some strategies and thoughts on what they were doing. And then actually kind of break there for the Fourth of July week and then we're looking at a Q&A session on July 12th.

So that's kind of the next couple weeks what's going to be coming up. And again thank you all so much for coming out and helping us providing some insight into what has been working for you all and we really appreciate it.

Marsha Tonkovich: Thank you. All right. Thanks panelists and thanks everybody. Bye-bye.

(Crosstalk)

END