

City of Springfield, MA

FY10-11 Action Plan Amendment #1

Jurisdiction: City of Springfield	Contact Person: Geraldine McCafferty, Director, Office of Housing Address: 1600 E. Columbus Ave. Springfield, MA 01103 Telephone: (413) 787-6500 Fax: (413) 787-6515 Email: gmccafferty@springfieldcityhall.com
Jurisdiction Web Address: www.springfieldcityhall.com <i>(URL where Action Plan Amendment materials are posted)</i>	

The City of Springfield's FY10-11 Action Plan has been submitted to, and approved by, the U.S. Department of Housing and Urban Development. The City proposes to amend this plan, as follows: 1) the City will use HOME funds for a new activity: creation of a lease-to-homeownership program; 2) the City will use 'presumption of affordability' as a means of ensuring continued affordability of homes funded in Neighborhood Stabilization Program target neighborhoods or Neighborhood Revitalization Strategy Areas with NSP or HOME funds; and 3) the City will use recapture as a means of ensuring continued affordability of homes funded with HOME funds outside the NSP or NRSA areas.

A. PROPOSED NEW ACTIVITY

(1) **Activity Name:** Lease-to-Homeownership Program

(2) **Activity Type:** HOME Investment Partnership Program, acquisition of single-family homes to be used for housing affordable to households at or below 80% area median income.

24 CFR 92.205: HOME funds may be used by a participating jurisdiction to provide incentives to develop and support...homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organization.

24 CFR 92.206(c) and (d): Eligible project costs include acquisition costs and related soft costs.

(3) **National Objective:** Provides permanent residential structures that will be occupied by a household whose income is at or below 80% of area median income.

(4) **Activity Description:** The City will provide assistance to a non-profit developer for acquisition of newly-constructed single-family homes in target neighborhoods, which will be made available to moderate-income households on a lease-to-homeownership

model. The activity supports stabilization of the City's Neighborhood Stabilization Program neighborhoods, while also enabling moderate-income households to become homeowners. The lease-to-homeownership model is intended to address the fact that there are households with sufficient income to become homeowners, but these households need time and coaching to become able to be approved for a mortgage.

(5) Location Description: The City of Springfield will carry out this activity in the Six Corners neighborhood, which is located in the City's Neighborhood Stabilization Program area, and also in the City's Neighborhood Revitalization Strategy Area. The specific project location is 287-319 Central Street, Springfield, MA 01105.

(6) Performance Measures: In FY10-11, the program will produce 2 units of housing for homeownership, for households with incomes at or below 80% area median income. Over a three-year period, the project will produce 6 units.

(7) Total Budget:

FY10-11: \$462,900, City of Springfield HOME funds

These funds are reallocated from other activities as follows: \$240,000 unexpended carryover from prior years, \$80,000 from non-CHDO homeownership production, and \$100,000 from rental production.

TOTAL PROJECT (over 3 years): \$758,700, City of Springfield HOME funds
\$630,000, bank financing

(8) Responsible Organization: North End Housing Initiative, 2594 Main St., Springfield, MA 01107, 413-747-0090; contact: Jose Claudio, jclaudio@newnorthcc.org.

(9) Projected Start Date: November 1, 2010

(10) Projected End Date: The projected end date for the first two properties is June 30, 2011. The projected end date for the entire project is June 30, 2013.

B. CONTINUED AFFORDABILITY OF HOMEOWNERSHIP UNITS

(1) Affordability Requirements The City of Springfield partners with developers to create affordable homeownership opportunities through two programs: the HOME Investment Partnership Program and the Neighborhood Stabilization Program. For both of these programs, the City provides a developer subsidy to the development partner, which is generally a non-profit entity. The City also provides direct assistance to the homebuyer, which either lowers the purchase price, covers downpayment and closing costs, or both.

HOME and NSP regulations require housing developed with these funds be income-restricted throughout a period of affordability. The length of the affordability period is tied to the amount of assistance provided regarding a particular unit.

For both HOME and NSP, the City of Springfield uses the minimum affordability period of the federal HOME Investment Partnership Program, 24 CFR 92.252(a), (c), (e) and (f), and 92.254.

The minimum affordability periods are as follows:

- Up to \$15,000 – 5 Years
- \$15,001 to \$40,000 – 10 Years
- Over \$40,000 – 15 years
- New Construction – 20 years

The City is required to specify in its Action Plans the method that it will use to ensure affordability throughout the affordability period. The HOME program establishes two methods to ensure continued affordability: *resale* and *recapture*.

Resale requirements, set forth in 24 CFR 92.254(a)(5)(i), must ensure, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, that the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low-income family and will use the property as its principal residence. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers.

HUD regulations at 24 CFR 92.254(a)(5)(i)(B) further provide that certain housing may be presumed to meet the resale restrictions (i.e., the housing will be available and affordable to a reasonable range of low-income homebuyers; a low-income homebuyer will occupy the housing as the family's principal residence; and the original owner will be afforded a fair return on investment) during the period of affordability without the imposition of enforcement mechanisms by the participating jurisdiction. The presumption must be based upon a market analysis of the neighborhood in which the housing is located.

Recapture provisions, set forth in 24 CFR 92.254(a)(5)(ii), must ensure that the participating jurisdiction recoups all or a portion of the HOME assistance to the homebuyers, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

In its FY10-11 Action Plan, the City indicated that it would ensure affordability for HOME-funded homeownership units by using a combination of resale and recapture requirements. The Resale/Recapture Restriction would require a homeowner in an income-restricted unit to either sell to another income-eligible homebuyer, or repay the HOME assistance provided upon initial purchase. The City's guidelines for the NSP program are set forth in the City's December 2008 Substantial Amendment to its Action Plan. This document also indicates that the City will use a Resale/Recapture Restriction.

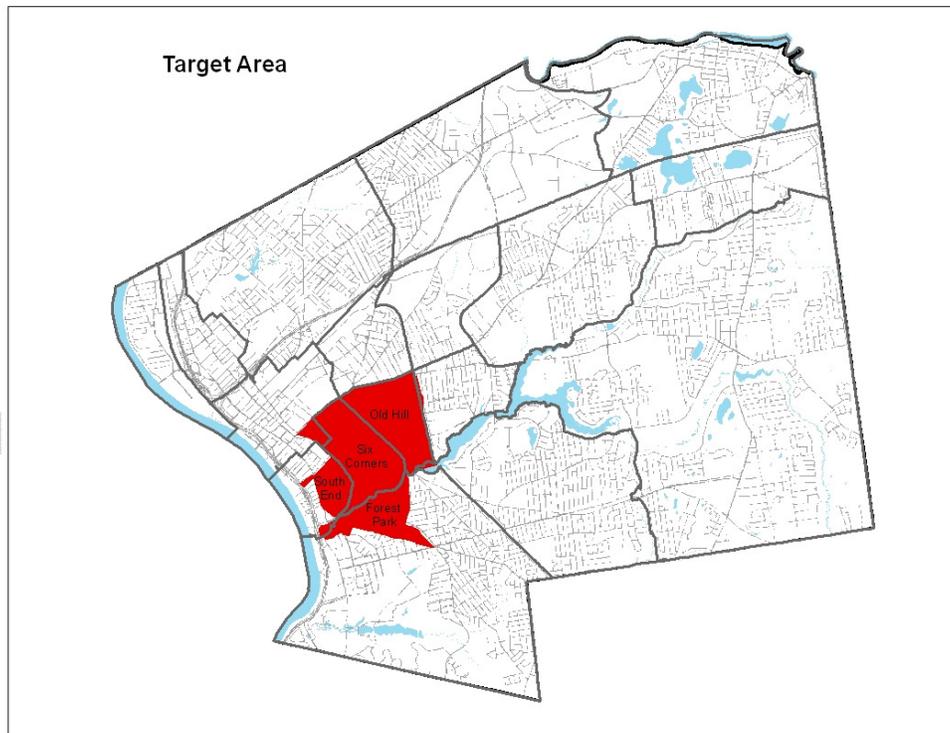
HUD has recently clarified that the resale and recapture provisions may not be combined. A jurisdiction must choose to use either resale or recapture for a specific property.

(2) Springfield Plan to Ensure Continued Affordability of Homeownership Units in NSP Target Area and NRSA

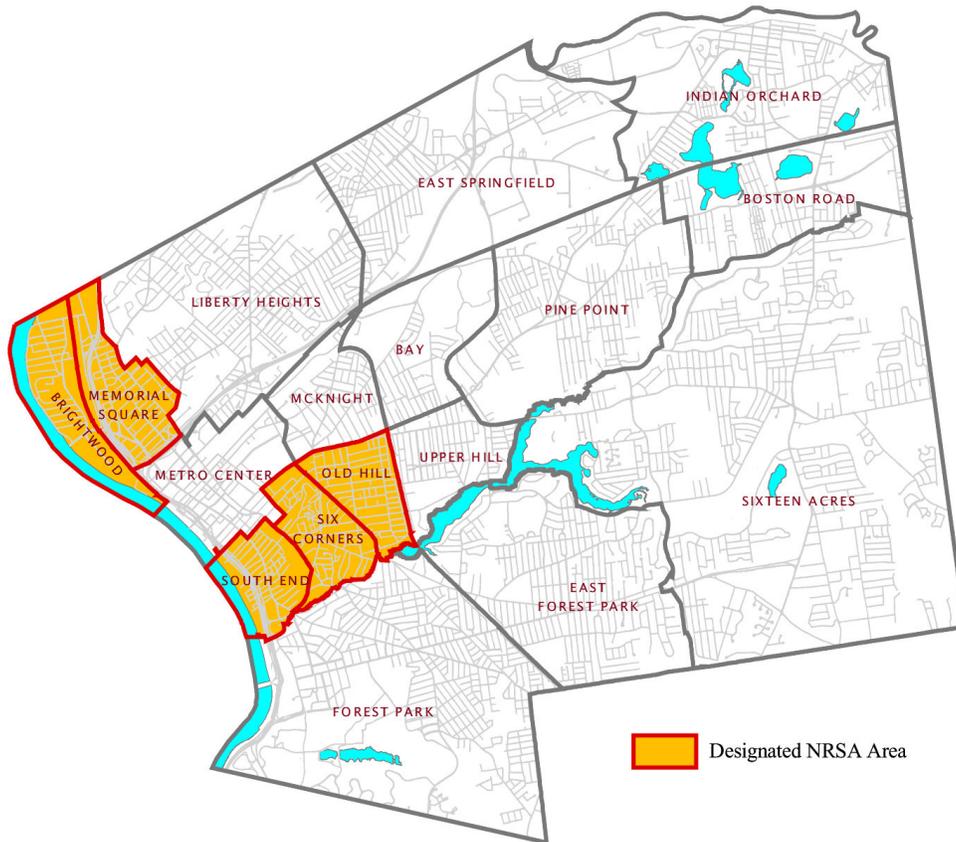
For the City's NSP and NRSA neighborhoods, the City elects the Resale requirement. In these neighborhoods, it is expected that market conditions will ensure affordability without the imposition of enforcement mechanisms. The use of presumed affordability in these neighborhoods allows the City to meet its HOME and NSP affordability requirements without imposing an enforcement mechanism on the properties. Assisted properties in these neighborhoods must be sold initially to an income-eligible purchaser, but there are no continuing deed restrictions on the property.

These neighborhoods are indicated on the following maps:

NSP Target Area:



NRSA neighborhoods:



The market analysis that justifies this choice is set forth below. The City will update this analysis on a periodic basis, in order to verify that the presumption of continued affordability remains. At the point when values increase so that the presumption is no longer valid, the City will elect to use resale or recapture in the targeted neighborhoods.

Remaining Springfield Neighborhoods. In the remaining areas of Springfield, the City elects to use the Recapture requirement.

(3) Market Study and Affordability Analysis Justifying Presumed Affordability

The neighborhoods in which the City will use the presumption of affordability are: Old Hill, Six Corners, the South End, lower Forest Park, Memorial Square and Brightwood. These are neighborhoods with high poverty rates and low median incomes, as shown in the table below.

Neighborhood Characteristics

The NSP and NRSA neighborhoods are the core residential neighborhoods surrounding downtown. While these neighborhoods contain some multi-family housing,

predominantly on main corridors, the side streets are made up of older one- and two-family homes, and some three- or four-family homes. These homes are primarily renter-occupied, and many have not been well-maintained. These neighborhoods have been hard-hit by foreclosure, vacancy and abandonment

Location	Percent of Persons Below Poverty Level	Median Income (Percent of Area Median Income)	% of housing built before 1940	% owner-occupied	Foreclosures [†] (properties in pre-foreclosure, auction, and bank-owned stages)	Homes for Sale [†]
Old Hill	39%	\$22,824 (45% AMI)	55%	34%	37	20
Six Corners	46%	\$17,246 (34% AMI)	51%	18%	26	27
South End	50%	\$17,078 (33% AMI)	54%	15%	10	10
Lower Forest Park	36%	\$24,078 (47% AMI)	69%	31%	133	166
Memorial Square	58%	\$12,669 (25% AMI)	21%	6%	14	4
Brightwood	38%	\$21,742 (42% AMI)	20%	20%	6	6
Springfield	23%	\$36,285 (71% AMI)	36%	50%	667	1003
Springfield metro	13%	\$51,193	34%	63%		

B. 2000 Census data; [†] Trulia, Inc., www.trulia.com, Sept. 27, 2010

The most detailed data by neighborhood that is available is 2000 Census data. Although this data is now aged, especially regarding median income, it does demonstrate the state of these neighborhoods in comparison to the City and to the region. These neighborhoods continue to be the most impacted by blight, according to City records. In addition, these are neighborhoods that scored high on the elements that HUD used to identify neighborhoods at high risk for foreclosure and abandonment. Although the City did not include the Memorial Square and Brightwood neighborhoods in its NSP target area, this decision was based on the need to have targeted impact; it was not because Memorial Square and Brightwood are not heavily impacted by foreclosure and abandonment.

The chart above does include very recent data on the number of properties in each neighborhood impacted by foreclosure, as well as the number of properties currently for sale in the neighborhood. In each of the neighborhoods, the number of foreclosures is almost equal to or outpaces the number of properties for sale. This is an indication that the market is weak, and is flooded with foreclosed homes. It is expected that this impact will impact sales prices of homes in these neighborhoods for years to come.

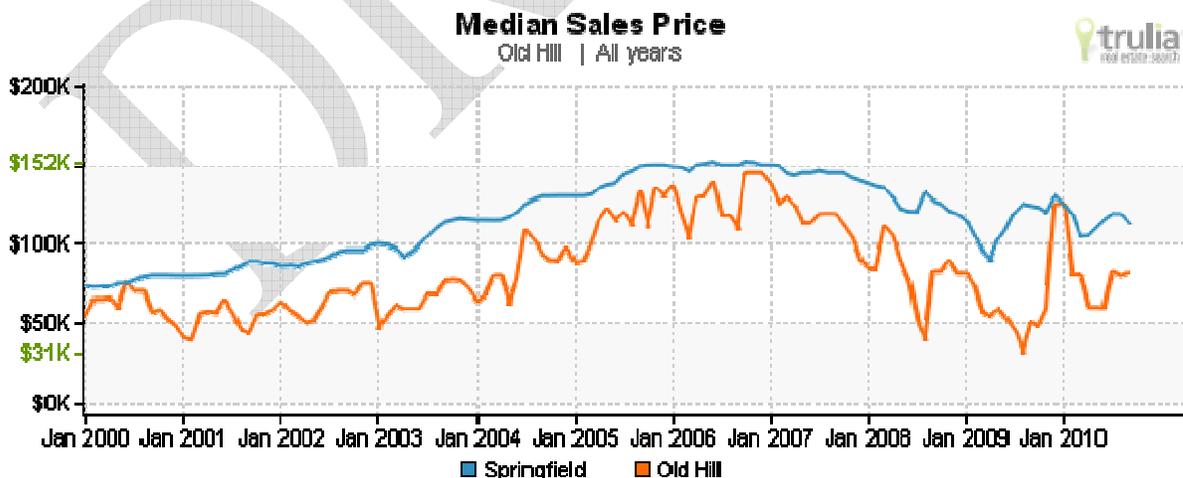
Housing sales prices in the target neighborhoods are lower than the average home sales prices in the City. (The only exception in the chart below is Forest Park, which is a large neighborhood with stable housing on the southern side of it; the lower Forest Park neighborhood is a very small area that is alongside the edge of the Six Corners neighborhood, and is more similar to the Six Corners neighborhood than it is to Forest Park.)

Location	Median Sales price, Jun '10 – Aug '10
Old Hill	\$81,672
Six Corners	\$44,712
South End	\$110,460
Forest Park (there is no data for just lower Forest Park)	\$123,657
Memorial Square	\$104,900
Brightwood	\$97,750
Springfield	\$113,407

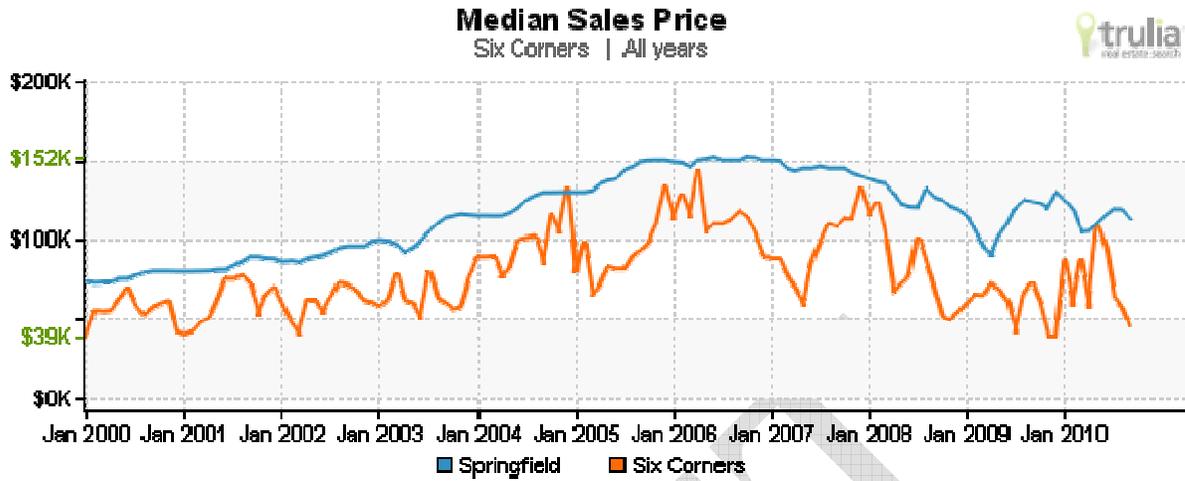
Source: Trulia, Inc., www.trulia.com, Sept. 27, 2010

Historic data on the charts below demonstrates that these neighborhoods consistently have lower home values than Springfield as a whole. (Note that the Forest Park chart is not included, because the full neighborhood data does not describe lower Forest Park; and the Brightwood chart is not included because there is no data from this source for Brightwood.) While home values are fluctuating, on the whole they seem to be near where they were in 2004, after reaching high values in 2005 or 2006, the period generally recognized as the peak of the housing bubble.

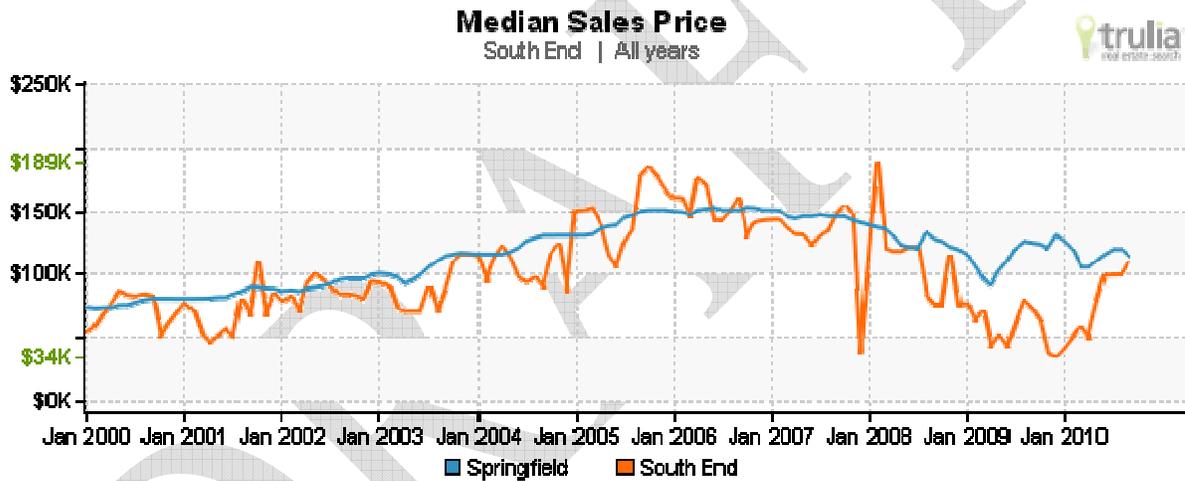
Old Hill



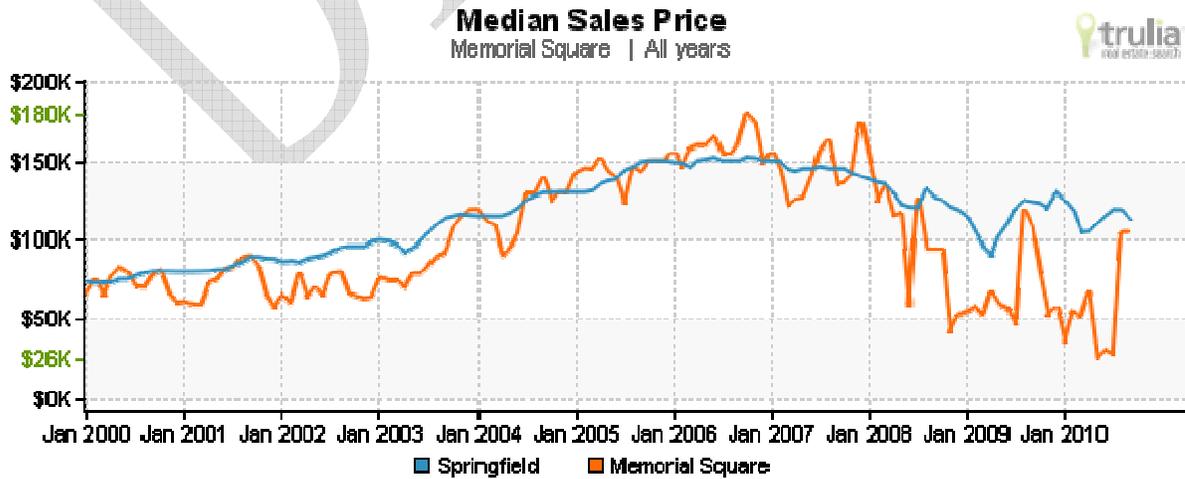
Six Corners



South End



Memorial Square



Two important factors which will influence the recovery of Springfield’s housing value are the supply of housing and the rate of unemployment. The 667 Springfield homes currently in the foreclosure process indicate that there is a large supply of housing continuing to come onto the market. The City’s unemployment rate is 13.3%. Based on these factors, it is not expected that values in the target neighborhoods will rise quickly.

The City has identified the target neighborhoods for neighborhood stabilization and an increase in the rate of homeownership. The use of presumed affordability will improve the ability to market neighborhood properties to prospective homeowners, who may otherwise be deterred from buying due to the necessity of deed restrictions on the properties. The City’s overall efforts in these neighborhoods include increased incentives for homeownership, homeowner repair, increased code enforcement, and improvements to streets, parks and other infrastructure.

Affordability Analysis

The 2010 median family income for Springfield is \$67,400. The income affordability maximum limits for the NSP and HOME programs are as follows:

NSP, 120% MFI	\$80,880
HOME, 80% MFI	\$53,920
NSP, 50% MFI	\$33,700

Because the affordability restrictions are different for the NSP and non-NSP areas, the analysis of affordability is done separately for each of these areas.

NSP neighborhoods: Old Hill, Six Corners, South End, lower Forest Park. The first home that has been completed with NSP funds has sold. The completely renovated, energy-efficient two-family home in the Six Corners neighborhood appraised for \$95,000. Newly constructed single-family homes produced with HOME funds in the NSP neighborhoods have sold for \$80,000 (Old Hill), and \$105,000 (Old Hill). Based upon these other sales, the NSP developers expect that new or newly-renovated homes in the NSP target area will sell for an average price of \$105,000 or less.

Affordability of Single-Family Home in NSP Neighborhoods	
Sales Price	\$105,000.00
Downpayment – 3%	\$3150.00
First Mortgage Amount	\$80,850.00
Second Mortgage Amount	\$21,000.00
Monthly payments: 1 st mortgage, 6.0%, 30 years	\$484.74
2 nd mortgage, 6.0%	\$105.00
Property Tax (\$17.89 per \$1,000)	\$156.54
Homeowner’s Insurance	\$50.00

Monthly payment without subsidy	\$796.28
Income to afford with soft second	\$31,000.00
Percent of Area Family Income w/o subsidy (not adjusted for family size)	46.1%

As the above affordability analysis demonstrates, a home selling for \$105,000 is affordable for purchase by households with incomes of under less than 50% area median income. The mortgage payments for such a home would be below the fair market rent for a two-bedroom apartment, which is currently \$922 per month.

The majority of NSP-produced homes must be affordable to households with incomes at or below 120% area median income, an amount which is currently \$80,880 in Springfield. Newly-constructed or rehabilitated homes selling for \$105,000 would be easily affordable to households with 120% area median income, as the monthly housing cost would be about 12% of monthly gross income.

A portion of NSP-produced homes must be affordable to households with incomes at or below 50% area median income. The income amount for a household at this level is \$33,700. The newly-constructed or rehabilitated homes selling for \$105,000 would be also be affordable to these households, as the monthly housing cost would be about 28% of monthly gross income.

Non-NSP NRSA neighborhoods: Memorial Square and Brightwood. Homes in the north end neighborhoods of Memorial Square and Brightwood have slightly higher values. These neighborhoods are part of a NRSA but are not NSP neighborhoods. Two homes newly constructed with HOME funds in the Memorial Square neighborhood were recently appraised for \$132,000 and \$135,000. Although these homes would be above the affordability limits for households with incomes at or below 50% area median income, there are no NSP-funded homes being developed in these neighborhoods. In these neighborhoods, development is supported with HOME funds, which requires homes to be affordable with households at or below 80% area median income. The 80% AMI level for Springfield is \$53,920. The below affordability analysis demonstrates that at a household at this level would pay 20% of monthly gross income as a housing payment for a home purchased at \$135,000.

Affordability of Single-Family Home in non-NSP NRSA Neighborhoods	
Sales Price	\$135,000.00
Downpayment – 3%	\$4050.00
First Mortgage Amount	\$108,000.00
Second Mortgage Amount	\$22,950.00
Monthly payments: 1 st mortgage, 6.0%, 30 years	\$647.51

2 nd mortgage, 6.0%	\$114.75
Property Tax (\$17.89 per \$1,000)	\$201.26
Homeowner's Insurance	\$65.00
Monthly payment without subsidy	\$1028.52
Income to afford with soft second, without subsidy	\$39,800
Percent of Area Family Income w/o subsidy (not adjusted for family size)	59.1%

C. PUBLIC COMMENT

The City of Springfield advertised the availability of FY10-11 Action Plan Amendment #1 in the legal ad section of *The Republican* on September 27, 2010. The Amendment was available on the City's website and at the City's offices of community development and housing beginning September 28, 2010. Interested individuals were asked to submit comments in writing or via email by October 4, 2010.

[Insert summary of comments received.]

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities proposed to be undertaken are consistent with the jurisdiction's consolidated plan.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

(10) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(11) **Compliance with anti-discrimination laws.** The proposed activities will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(12) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(13) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

Date

Title

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