

**Grantee: Warren, MI**

**Grant: B-11-MN-26-0014**

**January 1, 2018 thru March 31, 2018 Performance Report**

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**Grant Number:**

B-11-MN-26-0014

**Obligation Date:****Award Date:****Grantee Name:**

Warren, MI

**Contract End Date:****Review by HUD:**

Original - In Progress

**Grant Award Amount:**

\$1,735,633.00

**Grant Status:**

Active

**QPR Contact:**

Gina L. Hensley

**LOCCS Authorized Amount:**

\$1,735,633.00

**Estimated PI/RL Funds:**

\$682,313.86

**Total Budget:**

\$2,417,946.86

## Disasters:

### Declaration Number

NSP

## Narratives

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

NSP3-01 Acquisition New Construction: Developer Macomb Habitat for Humanity (LH25) \$300,000: anticipate 0new homes built in Van Dyke 3 target area and 2 in Fitzgerald 3 target area.

NSP3-02 Rehabilitation Resale: City will acquire homes, rehabilitate and sell \$1,102,136: anticipate 2 in Van Dyke 3 target area and 6 in Fitzgerald 3 target area.

NSP3-03 Demolition of Blighted Residential Structures: City will contract for demolition services of homes in target area City Council orders demolished to abate a nuisance \$173,000: anticipate 12in Van Dyke 3 target area and 3 in Fitzgerald 3 target area.

NSP3-04 Administration: \$173,563

### How Fund Use Addresses Market Conditions:

The NSP3 Target Areas identified by the City are "Van Dyke 3" bound by Van Dyke Avenue on the west, I-696 to the north, Hoover Road on the east and Toepfer Road to the South (except for the portion of this area inside the City of Center Line) and "Fitzgerald 3" bound by Dequindre Road on the west, Stephens Road to the north, Mound Road on the east and Toepfer Road to the South.

The Target Areas selected have traditionally had a high percentage of owner occupants living in moderate priced housing that was constructed using conventional building techniques. This housing is generally suitable for rehabilitation. According to the City Assessor, home values in these areas have dropped an average of 40 percent since 2007. The collapse of the residential mortgage market is further depressing prices to levels buyers with cash are willing to pay. Unfortunately, most cash purchasers are investors who make minimal improvements before renting the homes or lower income families without access to the capital needed to make necessary improvements. Stabilization of these neighborhoods requires activities that encourage homeownership.

The demolition activity will remove the homes that remain vacant because the extent of the repairs needed to make the homes habitable makes them economically unattractive to investors. Removing these homes will also protect lower income families who might have enough cash to purchase, but not enough to complete repairs required for occupancy.

The rehabilitation resale activity will encourage owner occupants to return to these areas by providing a selection of high quality housing that is mortgagable and for sale at prices close to that of unimproved foreclosed properties. It will also encourage renters to seek homeownership, contributing to neighborhood stability.

The housing stock in these neighborhoods is almost entirely 50 plus years old with a maximum of three bedrooms and one bathroom. Replacing demolished homes will help maintain the City's tax base and diversify the age and style of the housing stock. To the extent practical, the new homes will be constructed with 4 bedrooms and 2 bathrooms to encourage owner occupants.

### Ensuring Continued Affordability:

For Activity NSP3-01 New Construction and Activity NSP3-02 Rehab Resale

Each home will be sold at the lesser of market value or activity costs to an NSP3 eligible homebuyer whose household income does not exceed 50% AMI for new construction and 120% AMI for Rehab Resale. The homebuyer must use the home as their primary residence.

Each buyer will receive NSP3 funds for downpayment and closing cost assistance. The minimum amount of downpayment and closing cost assistance provided to the homebuyers will be \$1,000 and the maximum amount will be 20



percent of the sales price. Buyers must obtain mortgage financing to cover the balance of the purchase. The amount of assistance will be set forth in policies adopted for the administration of the activity. These policies may be changed from time to time. The proceeds from the sale will be returned to the City unless Warren City Council approves a contract allowing the developer to retain the proceeds. Proceeds returned to the City or restricted proceeds retained by the developer must be used for additional NSP3 eligible activities in the City of Warren. To ensure the continued affordability of the NSP3 assisted home, the amount of the NSP3 funds provided for downpayment and closing cost assistance will be a loan subject to recapture during an affordability period. The loan will be secured by a second lien on the property purchased. Payments on the loan will be deferred and the loan will be forgiven at the end of the affordability period. If the homebuyer sells the home or ceases to use it as a principal residence during the affordability period, the NSP3 funds provided for downpayment and closing cost assistance will be recaptured. The recaptured funds will be used for additional NSP3 eligible activities. The length of the affordability period will be based on the total amount of downpayment and closing cost assistance received and determined according to the schedule in Table 4.

The amount of downpayment and closing cost assistance that will be provided to a homebuyer is also subject to restrictions that may be imposed by the homebuyer's lender. Some buyers may also receive HOME funded downpayment and closing cost assistance. The affordability period for buyers receiving both NSP3 and HOME funded downpayment and closing cost assistance will be based on the total amount of assistance received. The length of all affordability periods will be determined according to the schedule in Table 4.

Table 4

**Affordability Period for Homeownership Units**

**Affordability Period - Amount of Combined NSP3 and HOME Funded Downpayment and Closing Cost Assistance**

- 5 years - Less than \$15,000
- 10 years - \$15,000 - \$40,000
- 15 years - Greater than \$40,000

**Definition of Blighted Structure:**

A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. More specifically, a blighted structure must be a dangerous building as defined in Chapter 9, Article VI, Section 9-165 of City of Warren Ordinance 80-625. In addition, the estimated cost to rehabilitate the structure in compliance with the City's Property Maintenance Code must be greater than 50 percent of the estimated cost to build a new 980 sq. ft. one story single family residence without a basement, where construction cost is estimated as \$100.95/sq. ft. \$100.95/sq. ft. is the average square foot construction cost for group VB single family residences published by the International Code Council August 2010. 980 sq. ft. is the minimum size single family dwelling allowed by the City of Warren Zoning Ordinance on lots less than 60 feet in width which were in existence on July 21, 1960.

**Definition of Affordable Rents:**

At the present time the City does not propose undertaking any activities that will produce units of rental housing. If the City did undertake such an activity, HOME Investment Partnership Program (HOME) monthly rent limits for affordable rents will be used. For households with an income at or above 50 percent of Area Median Income (AMI) renting NSP3 assisted units, the maximum contract rent plus tenant paid utilities will be the High HOME rent. High HOME rent is the lesser of the HUD Fair Market Rent (FMR) or 30 percent of the adjusted income of a household whose annual income is 65 percent of AMI.

For households with an income less than 50 percent of AMI renting NSP3 assisted units, the maximum contract rent plus tenant paid utilities will be the Low HOME rent. Low HOME rent is the lesser of the HUD Fair Market Rent (FMR) or 30 percent of the adjusted income of a household whose annual income is 50 of AMI.

FMR, High HOME rent and Low HOME rent are established by HUD for units of varying sizes (by number of bedrooms). The rent limits currently in effect are listed in the table below.

**Monthly Rent Limits (Contract Rent plus Tennant Paid Utilities)\***

**# of Bedrooms: FMR: High HOME Rent: Low HOME Rent**

- 0-BR: \$584: \$594: \$594
- 1-BR: \$665: \$676: \$665
- 2-BR: \$796: \$809: \$798
- 3-BR: \$952: \$968: \$923
- 4-BR: \$981: \$997: \$997
- 5-BR: \$1128: \$1147: \$1135
- 6-BR: \$1275: \$1296: \$1242

\*Effective May 2010

For the purpose of determining the maximum allowed rent, the value of tenant paid utilities will be calculated using the Michigan State Housing Development Authority (MSHDA) Region I Utility Schedule.

Affordable rent limits will be enforced through deed restrictions and a lien, in the amount of the total NSP3 investment in the project, during a period of affordability. The period of affordability will be based on the average per unit investment of NSP3 funds according to the schedule in Table 3.

Table 3

**Affordability Period for Rental Units**

**Affordability Period: Average Amount of NSP3 Funds Invested Per Rental Unit**

- 5 years: Less than \$15,000
- 10 years: \$15,000 - \$40,000
- 15 years: Greater than \$40,000

During the period of affordability, the NSP3 assisted units must be rented to households at or below 120 percent AMI. During the period of affordability, the contract rent plus tenant paid utilities must not exceed the monthly limits defined above. Finally, during the affordability period, the NSP3 assisted units must be maintained in compliance with the City's Property Maintenance Ordinance. The owner must allow the City or its representative to make on site inspections to determine compliance with this requirement. These inspections shall be made not less frequently than once every five years during the affordability period.

During the affordability period, interest at a rate set forth in policies adopted for the administration of this activity will accrue. These policies and the interest rate may be changed from time to time. During the affordability period, no payments will



be due. At the end of the affordability period, if there has been compliance with the above requirements, the deed restrictions will be removed and the lien discharged. Owners failing to comply with the above requirements must repay the entire amount of the NSP3 assistance plus accrued interest.

**Housing Rehabilitation/New Construction Standards:**

At a minimum, all homes assisted under the Rehabilitation Resale activity will be brought into compliance with the City’s Property Maintenance Code. All work completed will comply with the City’s Building Code. Lead Based Paint hazards will also be addressed as required by HUD regulations.

In addition, to the maximum extent practical, obsolete products such as windows, doors, lighting, hot water heaters, furnaces, boilers, and air conditioning units will be replaced with Energy Star labeled products. If appliances such as refrigerators, clothes washers and dishwashers are installed as part of the rehabilitation, they will be Energy Star labeled. All toilets, showers and faucets in homes rehabilitated with NSP3 funds will be replaced with water efficient WaterSense labeled products.

All new construction homes will be designed to meet the standard for Energy Star Qualified Homes.

**Vicinity Hiring:**

To the maximum extent practical, the City will provide for the hiring of employees who reside in the vicinity of NSP3 projects or contract with small businesses owned and operated by persons residing in the vicinity of such projects. The City will send a notice to all residents of the NSP3 areas informing them that opportunities to bid on City work are publicly advertised on the Michigan Inter-governmental Trade Network Purchasing System (MITN). MITN is a group of 70 agencies (local units of government and regional authorities) that have joined forces to create a Regional Bid Notification System. All of the participants’ bid opportunities (invitations to bid, requests of proposals, requests for quotes, requests for qualifications, etc.) are made available to vendors who access MITN online. Vendors interested in obtaining information about these opportunities need to register with MITN.

The notice mailed to vicinity residents will include instructions on how to register with MITN. The City of Warren Office of Community Economic and Downtown Development will host an informational session on opportunities to contract with the City of Warren. The Van Dyke – Eight Mile Gateway Collaborative (V-8) will assist with promotions. V-8 is a collaborative of business, government, and nonprofit members interested in the promotion and development of the Van Dyke Corridor extending through Warren from Six Mile Road in Detroit to Ten Mile Road in Center Line.

The notice will also ask residents of the Target Areas who are laborers, tradesmen or subcontractors qualified to work on housing demolition, rehabilitation or construction projects to register with the City. Information contained in this registry will be shared with contractors bidding on NSP3 housing demolition, rehabilitation and construction projects. These residents will also be encouraged to register with the Michigan Works Job Bank.

Contractors awarded NSP3 work will be encouraged to find vicinity residents who might be qualified to provide goods or services by using the registry the City provides and contacting the Michigan Works Job Bank and other local job training programs such as the Van Dyke Public Schools building trades program or Leaps and Bounds Family Services adult learning programs.

City ordinances require bids be awarded to the lowest qualified bidder. City ordinances do not allow preferences to be given to vicinity residents.

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

At this time the City has an abundant supply of affordable rental housing both single family and multifamily. The limited amount of NSP3 funds the City will receive is not sufficient to undertake the development of additional multifamily rental housing. As discussed above in Section I Local Housing Conditions, many of the single family homes being foreclosed upon are being converted from homeowner to rental units. This is compounding the destabilizing impacts foreclosures and vacancies are having in single family neighborhoods.

Encouraging homeownership is the neighborhood stabilization strategy the City is following. Homes that are owner occupied are generally better maintained and the owner occupants have a greater sense of belonging to the community. The City will consider lease purchase as an option if the ownership units developed with NSP3 funds cannot be sold.

**Grantee Contact Information:**

Rosemarie Furlong, Community Development Coordinator  
 Gina Hensley, Administrative & Financial Assistant  
 One City Square, Suite 210  
 Warren, MI 48093  
 (586) 574-4686 (office)  
 (586) 574-4685 (fax)

<b>Overall</b>	<b>This Report Period</b>	<b>To Date</b>
<b>Total Projected Budget from All Sources</b>	N/A	\$2,417,946.86
<b>Total Budget</b>	\$0.00	\$2,417,946.86
<b>Total Obligated</b>	\$0.00	\$2,267,320.06
<b>Total Funds Drawdown</b>	\$0.00	\$2,249,303.57
<b>Program Funds Drawdown</b>	\$0.00	\$1,720,557.87
<b>Program Income Drawdown</b>	\$0.00	\$528,745.70
<b>Program Income Received</b>	\$0.00	\$682,313.86
<b>Total Funds Expended</b>	\$0.00	\$2,249,303.57



<b>Most Impacted and Distressed Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00

## Progress Toward Required Numeric Targets

<b>Requirement</b>	<b>Target</b>	<b>Actual</b>
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$0.00
<b>Limit on Public Services</b>	\$260,344.95	\$0.00
<b>Limit on Admin/Planning</b>	\$173,563.30	\$226,357.48
<b>Limit on State Admin</b>	\$0.00	\$226,357.48
<b>Most Impacted and Distressed Threshold (Projected)</b>	\$0.00	\$0.00
<b>Progress towards LH25 Requirement</b>	\$604,486.72	\$673,288.11

## Overall Progress Narrative:

Preparing for closeout.

## Project Summary

<b>Project #, Project Title</b>	<b>This Report Period</b>	<b>To Date</b>	
	<b>Program Funds Drawdown</b>	<b>Project Funds Budgeted</b>	<b>Program Funds Drawdown</b>
1 - NSP3, NSP3 Use B Homebuyer	\$0.00	\$1,923,153.14	\$1,357,670.48
2 - NSP3, NSP3 Use D Demolition	\$0.00	\$253,000.00	\$174,167.57
3 - NSP3, NSP3 Administration	\$0.00	\$241,793.72	\$188,719.82
9999, Restricted Balance	\$0.00	\$0.00	\$0.00



## Activities

**Project # / Title:** 3 - NSP3 / NSP3 Administration

**Grantee Activity Number:** NSP3-04

**Activity Title:** NSP3-Administration

**Activity Category:**

Administration

**Activity Status:**

Under Way

**Project Number:**

3 - NSP3

**Project Title:**

NSP3 Administration

**Projected Start Date:**

03/01/2011

**Projected End Date:**

03/31/2014

**Benefit Type:**

N/A

**Completed Activity Actual End Date:**

**National Objective:**

N/A

**Responsible Organization:**

City of Warren2

**Overall**

**Total Projected Budget from All Sources**

**Jan 1 thru Mar 31, 2018**

N/A

**To Date**

\$241,793.72

**Total Budget**

\$0.00

\$241,793.72

**Total Obligated**

\$0.00

\$241,793.72

**Total Funds Drawdown**

\$0.00

\$226,357.48

**Program Funds Drawdown**

\$0.00

\$188,719.82

**Program Income Drawdown**

\$0.00

\$37,637.66

**Program Income Received**

\$0.00

\$0.00

**Total Funds Expended**

\$0.00

\$226,357.48

    City of Warren2

\$0.00

\$226,357.48

**Most Impacted and Distressed Expended**

\$0.00

\$0.00

**Match Contributed**

\$0.00

\$0.00

**Activity Description:**

General program administration.

**Location Description:**

Not applicable - program administration.

**Activity Progress Narrative:**

General program administration



## Accomplishments Performance Measures

No Accomplishments Performance Measures

## Beneficiaries Performance Measures

No Beneficiaries Performance Measures found.

## Activity Locations

No Activity Locations found.

## Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

### Other Funding Sources

Amount

No Other Funding Sources Found

Total Other Funding Sources

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