

Grantee: Paulding County, GA

Grant: B-11-UN-13-0009

July 1, 2011 thru September 30, 2011 Performance Report

Grant Number:

B-11-UN-13-0009

Obligation Date:**Grantee Name:**

Paulding County, GA

Award Date:**Grant Amount:**

\$1,372,214.00

Contract End Date:

03/11/2014

Grant Status:

Active

Review by HUD:

Submitted - Await for Review

QPR Contact:

No QPR Contact Found

Disasters:**Declaration Number**

NSP

Narratives**Summary of Distribution and Uses of NSP Funds:**

As referenced in Section A -"Areas of Greatest Need", Paulding County will utilize two target "screens" to ensure that the requirements of Section 2301 (c)(2) of HERA are met. The first method will be to distribute funds in the areas identified by the HUD "Foreclosure and Abandonment Risk Score" data. These risk scores have identified those neighborhoods within Paulding County with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a sub-prime mortgage related loan, and properties identified by the Paulding County as likely to face a significant rise in the rate of home foreclosures.

The Abbreviated action plan includes maps which identify specific census tracts where these three stipulated needs categories actually exist. In an effort to meet the requirement of addressing at least 20 percent of the "high-risk" inventory within a specific census tract, Paulding County will investigate the priority areas to determine which property owners utilized a sub-prime mortgage, and through the utilization of the Superior Court and Planning Departments, these properties will be given high priority to ascertain if they are within the scope of the NSP guidelines and if they can be acquired with the targeted discounted rates as defined in the NSP3 regulations.

As a HUD Non-Entitlement Local Government NSP3 recipient, Paulding County received an initial award of \$1,372,214. Paulding County will meet the goal of expending at least half of our NSP3 allocation within the first two (2) years and the entire award within three (3) years. The following table lists the specific NSP3 eligible activities that will take place:

Units	
Low Income	
Below 50% AMI	
Moderate Income	
51-80% AMI	
Middle Income	
81-120% AMI	
Total	
Property Acquisition	
8	
\$255,000	
\$300,000	
\$230,000	
\$785,000	
Rehabilitation	
8	
\$90,000	
\$90,000	
\$40,000	
\$220,000	
Downpayment Assistance	
12	
\$100,000	
\$75,000	
\$20,000	

\$195,000
 Soft Costs
 8
 \$13,122
 \$13,122
 \$8,748
 \$34,992
 Administration

\$137,222
 Total

\$1,372,214

Area Median Income (AMI) is determined by HUD. See <http://www.dca.ga.gov/communities/CDBG/programs/nsp.asp> to view the 2010 State of Georgia Income Limits.

Paulding County will reserve Downpayment Assistance Loans for each of the eight (8) properties that will be targeted for acquisition during the initial allocation. In addition, Paulding County has reserved funds to assist four (4) additional qualified DPA participants who might purchase eligible foreclosed properties which are not part of Paulding County's NSP3 inventory.

Paulding County will engage qualified asset management firm(s) to acquire and rehabilitate properties located within Paulding County's areas of greatest need. Qualified asset management firm(s) will adhere to the NSP3 requirements of acquiring eligible real estate owned properties and other foreclosed properties by performing necessary due diligence; by making improvements to NSP3 properties; by providing HUD approved housing counseling services; by marketing the NSP3 and available properties; and by administering financial mechanisms such as downpayment assistance and soft second loans. To accomplish these requirements, Paulding County will use specific strategies that include:

Property Acquisition

Paulding County will identify vacant properties that are located within the areas of greatest needs as is identified within section A of this document. Single family real estate owned properties will be targeted, however, other available and foreclosed properties will be considered based on priority areas. Other property considerations will include multifamily - apartments, townhomes, and duplexes - as well as blighted, abandoned, and dilapidated structures as described below.

Financial Mechanisms

In an effort to make properties more available to families and individuals whose annual household income is below 120 percent AMI, the Paulding County NSP3 will make Soft Second and Downpayment Assistance loans available. These subsidies are considered a direct investment to the qualified purchaser. The HUD Home Investment Partnership Program (HOME) guidelines will govern all Soft Second and Down Payment Assistance Funds as is stated in HUD 24 CFR 92.254. These funds will be provided as a zero percent interest loan and will be secured by a deed restriction which will require that the funds are either repaid entirely or by prorata share depending on the applicable recapture method selected by the Paulding County NSP3. The definition of recapture method is later described in this document, section C. Definitions and Descriptions (3).

The NSP3 assisted housing must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion. The per unit amount of NSP3 funds and the affordability period that trigger repayment or completion of the affordability period are described below:

Downstream Payment Assistance amount per unit
 Minimum period of affordability in years

Under \$15,000

5

\$15,000 to \$40,000

10

Over \$40,000

15

Please note that the following table is drafted from HUD 24 CFR 92.254. \$20,000 is the maximum amount of Down Payment Assistance funds that will be available through the Paulding County NSP3.

At the time that the affordability period is achieved, the soft second and downpayment assistance loan funds will be forgiven. In the event that the NSP3 purchaser does not meet the HOME affordability period, all recaptured Downpayment Assistance Funds will be returned to the Paulding County NSP3.

1. "Soft Seconds" to reduce the Sales Price to an amount affordable to a household whose income does not exceed 120% of AMI. For

example, if an NSP home has a sales price of \$100,000 and the homebuyer can only qualify for a loan of \$85,000, Paulding County will give strong consideration to making a "Soft Second" loan for the \$15,000 difference. This mechanism can help many households at or below 120% of AMI qualify for homeownership.

2. Downpayment Assistance Paulding County will consider both the resources of the NSP and the HOME Program for downpayment assistance. Paulding County will adopt the HOME Program Guidelines to serve those at or below 120% of AMI.

Soft Second and Downpayment Assistance Loans without NSP Purchase

The Paulding County NSP3 will make Soft Second and Downpayment Assistance loans available for customers who utilize independent financing to purchase properties not previously acquired or rehabilitated with NSP3 funds. Eligible participants will be those whose annual household income does not exceed 120 percent of the AMI. Only foreclosed properties which are located within HUD designated census tracts will be eligible for consideration of NSP3 Soft Second and NSP financing. This mechanism will allow Paulding County to leverage the NSP3 funds and to reach more customers within the initial 36 month program guideline.

Housing Counseling

All customers who are interested in purchasing homes through the Paulding County NSP3 are required to participate in a minimum of eight (8) hours of HUD certified housing counseling. Potential NSP3 purchasers will be invited to attend group homebuyer education and individual one-on-one counseling sessions.

During the group session, potential purchasers will be given an overview of the home buying process from loan origination to closing while discussing topics including predatory lending, credit scoring, budgeting, saving, choosing the right realtor, inspection and appraisal process and avoiding foreclosure.

During the one-on-one counseling sessions potential purchasers will receive an in-depth credit analysis, budget counseling, and debt reduction strategies.

The post purchase counseling sessions discuss budgeting and homeowner responsibilities with an emphasis on home maintenance and avoiding foreclosure.

The programs operated under the HUD certified education/preparedness component are designed to produce knowledgeable, qualified homebuyers and successful homeowners. Individuals and families will be better positioned to acquire a mortgage and assume the responsibilities of homeownership.

Property Disposition (Homeownership)

Paulding County will market properties acquired and rehabilitated under the NSP3 for sale to families and individuals whose annual household income is at or below 120% AMI. Qualified purchasers will also be eligible to access downpayment assistance and soft second loans.

Property Disposition (Lease Purchase Options)

The Paulding County NSP3 will offer Lease Purchase options for customers who attend the HUD certified Housing Counseling sessions and it is determined that they are not immediately prepared to assume homeownership. Lease Purchase candidates will also be those whose annual household income is below 120% AMI. Customers selected to utilize the NSP3 Lease Purchase option will be those customers that are determined to be within 12 to 18 months of qualifying for a first mortgage. Affordable rents for Lease Purchase Participants will be determined by the Home Investment Partnership Program (HOME) guidelines 24 CFR 92.252

Under this scenario, the Paulding County NSP3 will purchase and rehab select properties and make them available for potential purchasers who are identified through the lease purchase pipeline. Eligible program participants are required to attend periodic one-on-one housing counseling sessions where their tri-merge credit report and bank statements will be analyzed to ensure that they are on track to achieve homeownership.

The goal is to work with various partners throughout Paulding County (i.e. Housing Authority, Mortgage Brokers, Realtors, etc...) to identify potential clients who are interested in homeownership. The goal is also to create a homebuyer pipeline by enrolling clients who are currently renting through the Housing Authorities to register for NSP3 Homebuyer Education Counseling. We will encourage those clients to pursue affordable homeownership. If available, these clients will utilize their current Voucher Choice Certificates towards homeownership. Voucher Choice certificates will be layered with soft second and downpayment assistance loans through the Paulding County NSP3 in order to bridge the purchasers' affordability gap.

Example:

The Paulding County NSP3 will purchase and rehab existing foreclosed single family and or multifamily properties. If a buyer is not identified, the property will be marketed throughout the region. When a Lease Purchase candidate is identified, the housing authority partner will provide case management and property management services. When the family or individual becomes mortgage qualified, the property will be sold and the funds will be returned to the Paulding County NSP3.

Reuse of NSP Funds

We anticipate that at least half of the total NSP3 investment in each property will be returned and immediately made available for reuse upon sale of NSP3 properties.

Marketing and Outreach

Simultaneously to assisting management firms in acquiring and rehabilitating foreclosed vacant homes, the county will be working with the asset manager(s), and other local organizations to carry out a significant Outreach Program and to identify eligible homeowners who might qualify for the Paulding County NSP3. Paulding County will disseminate a list of HUD-approved housing counseling organizations throughout the Metro area to potential NSP3 purchasers. This will allow potential eligible homebuyers to meet the housing counseling requirement while the Paulding County asset manager(s) are acquiring and rehabilitating eligible foreclosed Real Estate Owned properties.

These strategies will allow Paulding County NSP3 to expeditiously expend its NSP3 grant funds. Also, this strategy will allow foreclosed housing units to be put back into the housing inventory for low, moderate, and middle income individuals and families.

How Fund Use Addresses Market Conditions:

Response:

HUD performed an assessment of all census tracts throughout the United States to create a foreclosure need score which is comprised of 1). the number of foreclosed properties 2). the number of subprime related mortgages and 3). areas that are likely to experience and high number of foreclosures. Each census tract was assigned a foreclosure risk score of 1-20 based on the aforementioned factors. The areas receiving the highest scores are considered the areas of greatest needs. HUD created a national and statewide average foreclosure score. The State of Georgia is determined to have an average foreclosure need score of 17.

Considering this information, Paulding County utilized the HUD NSP3 mapping system to chart foreclosure risk scores for each census tract. Paulding County foreclosure risk scores ranged from 14-20. Based on the requirement to address areas which were determined to have the most critical need according to the NSP3 mapping system, Paulding County recommends that our NSP3 efforts will be concentrated in the following Census tracts:

1202 (16) - If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

1203 (17)

1204 (17)

1205 (17)

1206 (18)

Ensuring Continued Affordability:

Long Term Affordability - Homeownership

Paulding County will require NSP3 projects to follow the affordability requirements for the HOME program as is set forth in HUD regulation 24 CFR. 92.254 for homeownership housing. All NSP3 assisted units must meet the minimum 5 to 15 year affordability period. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. NSP3 Downpayment Assistance loan documents including a subordinate deed to secure debt, loan agreement and/or note will be used to enforce the required period of affordability. The affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure. Paulding County may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability.

For homeownership, the Paulding County NSP3 plans to utilize the "Recapture Method" as defined by 24 CFR 92.254 (5) (ii) through liens on each property to ensure that the homeowner cannot reap a windfall profit.

The following "Recapture" options will apply:

- i). Paulding County may recapture the entire amount of the NSP3 investment from the homeowner.
- ii). Paulding County may reduce the NSP3 investment amount to be recaptured on a prorata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period.

All NSP3 funds will be recaptured if NSP3 homeowners should sell their homes before the time period of designated "Continued Affordability" expires. By utilizing these "Recapture" methods, homeowners will have less incentive to sell their homes during the "Continued Affordability" time period. In other words, with the proposed Recapture options, the Paulding County NSP3 will have adequate mechanisms in place to keep NSP3 assisted homes affordable throughout the period of affordability and to protect Paulding County's investment in this program.

Example: for Recapture method ii – Prorata Share

The Paulding County NSP3 investment is \$150,000

The Affordability Period is 15 years

The Prorata basis is \$10,000 per year, meaning that the NSP3 investment to the purchaser will be forgiven 1/15 for each year that the purchaser occupies the home.

The grantee is subject to the limitation that when the recapture requirement is triggered by a sale (voluntary or involuntary) of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the NSP3 investment due, the grantee can only recapture the net proceeds, if any. The net proceeds are the sales price minus superior loan repayment (other than NSP3 funds) and any closing costs.

Definition of Blighted Structure:

For the purposes of the NSP3, Paulding County will comply with the State of Georgia Definition of "blighted structure." Pursuant to O.C.G.A. 22-1-1 "blighted," or "blight" means any urbanized or developed property which: (A) Presents two or more of the following conditions: (i) Uninhabitable, unsafe, or abandoned structures; (ii) Inadequate provisions for ventilation, light, air, or sanitation; (iii) An imminent harm to life or other property caused by fire, flood, hurricane, tornado, earthquake, storm, or other natural catastrophe respecting which the Governor has declared a state of emergency under state law or has certified the need for disaster assistance under federal law; provided, however, this division shall not apply to property unless the relevant public agency has given notice in writing to the property owner regarding specific harm caused by the property and the owner has failed to take reasonable measures to remedy the harm; (iv) A site identified by the federal Environmental Protection Agency as a Superfund site pursuant to 42 U.S.C. Section 9601, et seq., or environmental contamination to an extent that requires remedial investigation or a feasibility study; (v) Repeated illegal activity on the individual property of which the property owner knew or should have known; or (vi) The maintenance of the property is below state, county, or municipal codes for at least one year after notice of the code violation; and (B) Is conducive to ill health, transmission of disease, infant mortality, or crime in the immediate proximity of the property.

Definition of Affordable Rents:

The Paulding County NSP3 will address "affordable rents" by adhering to the HUD HOME program guidelines as set forth in 24 CFR 92.252 for rental housing. All rental housing affordability restrictions will be imposed by deed restrictions which will be monitored by the HUD approved housing counseling agency to which the program participant is assigned.

Housing Rehabilitation/New Construction Standards:

The Paulding County NSP3 strategy will focus on the acquisition and rehabilitation of Real Estate Owned (REO) single family houses. Paulding County will also consider the acquisition of vacant foreclosed and or abandoned properties whereby we will construct new single or multi-family (3 stories or less) affordable units. Regarding construction codes and energy efficiency the following standards shall apply:

Codes
All Paulding County NSP3 rehabilitation and new construction projects will meet applicable regulations in accordance with Minimum Standard Georgia Building Codes including:

- a) <http://www.dca.state.ga.us/development/constructioncodes/programs/codes2.asp> as well as all locally adopted codes
- b) International Residential Building Code 2009
- c) 24 CFR Part 35 as related to lead-based paint
- d) Federal and state accessibility requirements including but not limited to those associated with the use of federal funds.

Gut rehabilitation and new construction homes up to three stories will meet the Energy Star Qualified Homes Standard. Cosmetic rehabilitation materials (e.g. windows, doors, appliances, etc&hellip) will be replaced with Energy Star-46 labeled products. The standard Paulding County NSP3 rehab specifications will also require the replacement of toilets, showers and faucets with WaterSense (or equivalent) labeled products.

Vicinity Hiring:

To the maximum extent feasible, the county will provide for the hiring of employees who reside in the vicinity of NSP3 projects or contract with small businesses that are owned and operated by persons residing in the vicinity of such project, including information on existing local ordinances that address these requirements.

Procedures for Preferences for Affordable Rental Dev.:

Not Applicable

Grantee Contact Information:

Paulding County - Chuck Rann, Community Development Director&ndash (770) 443-7601, crann@paulding.gov
Northwest Georgia Regional Commission, Michael M. Miller NSP Manager - (706) 295-6485, mmiller@nwgrc.org

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$2,744,428.00
Total CDBG Program Funds Budgeted	N/A	\$1,372,214.00
Program Funds Drawdown	\$0.00	\$0.00
Program Funds Obligated	\$0.00	\$0.00
Program Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$205,832.10	\$0.00
Limit on Admin/Planning	\$137,221.40	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$137,221.40	\$137,222.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$343,053.50	\$459,992.00

Overall Progress Narrative:

Paulding County participated in the HUD Technical Assistance Assessment (TA) on October 26 & 27th 2011. The intent of the TA was to evaluate Paulding County's infrastructure and readiness to implement the Neighborhood Stabilization 3 (NSP3) program. The TA also examined the contractual relationship between Paulding County and the Northwest Georgia Regional Commission, which is the entity who will serve as the NSP3 Asset Manager (implementation and administrative).

Without having a completed assessment report from HUD, it is suggested that Paulding County and NWGRC has the capacity to finalize the Sub-recipient Agreement (Asset Management) and to move forward implementing the NSP3 according to the Action Plan.

Paulding County has procured and received proposals from qualified vendors to participate in the NSP3. Those vendors include Appraisers, Attorneys, Inspectors, Landscapers, Rehab Contractors and Realtors. NWGRC will make bid awards and move forward with the process of evaluating, purchasing, and rehabilitating NSP3 eligible foreclosed properties. The goal is to begin drawing funds by or before December 1, 2011.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
001-B/014A-B LMMH, Acquisition & Rehab LMMH	\$0.00	\$353,992.00	\$0.00
001-B/14A-B LMMI, Acquisition & Rehabilitation LMMI	\$0.00	\$660,000.00	\$0.00
013A-B LMMH/I, Downpayment Assistance LMMH/I	\$0.00	\$221,000.00	\$0.00
21-A-X, Administration	\$0.00	\$137,222.00	\$0.00
9999, Restricted Balance	\$0.00	\$0.00	\$0.00

