

CITY OF HALLANDALE BEACH
ADMINISTRATIVE POLICY

DATE OF ISSUE: November 9, 2006

NO: 2027.005/R0

EFFECTIVE DATE: March 30, 2006

SUBJECT: Hallandale Beach First
Time Homebuyers Program

APPROVED:

D. Mike Good, City Manager

=====
Cross Reference: Administrative Policy 2027.001; Administrative Policy 2011.003/R2
=====

I. PURPOSE/INTENT

The purpose of this Administrative Policy is to establish the policy and procedures for the administration of the City of Hallandale Beach's First Time Homebuyers Program.

II. DEFINITIONS

Affordable Housing – As defined by Chapter 420, Florida Statutes as a situation where the cost of monthly rents or monthly mortgage payments including taxes, insurance, and utilities do not exceed 30% of that amount which represents the percentage of the median adjusted gross annual income for very low, low, and moderate income households.

Affordable Housing Board of Directors – The City Commissioners who shall be the trustee of the Trust Fund, and any other funds dedicated to the Affordable Housing Program, and shall be the trustee of custody, disbursement, accountability, management, investments, and proper allocation of all monies paid into the Trust fund or Affordable Housing Program. The Board of Directors will delegate the routine program and fiscal management and program operation of the Program to the City Manager or designee.

Affordable Housing Committee – Delegates from the Affordable Housing Board of Directors to handle the approval of applicants and report back to the Housing Board as to the progress and activity of the Affordable Housing Program. Committee members will be as follows: Director of Human Services, a designee from the Finance Department and City Manager's Office, and the CRA Administrator or designee.

Affordable Housing Trust Fund – Funds to the City from Developer Agreements or other revenues dedicated to the development and/or improvement of Affordable Housing.

Appreciation – Increase in the value of the property due to improvements made to the property or surrounding area/neighborhood by the owner or other parties, including government and/or more general market forces.

=====

Assets - Deposits in checking or savings accounts, pensions, certificates of deposits, stocks, bonds, and mutual funds; the value of retirement funds, other investments, and vehicles are to be disclosed, but are not to be included in the calculation.

City's First Right-of-Buyback – City's right to have the first opportunity to purchase the property from First Time Homebuyer when First Time Homebuyer decides to sell or convey the property. The City, at its option, may purchase the property at the Market Value (as appraised) minus the Shared Appreciation amount minus the Principal Assistance Amount due including any deductions if applicable.

First Time Homebuyer – Applicants who have not owned a home within the past three (3) years.

Land Acquisition – The purchase of vacant property by the City with the intention to convey to an approved applicant of the Affordable Housing program to construct a new single family home on.

Market Value – The price a property would sell for in a competitive market when there has been a normal offering time, no coercion, arms-length bargaining, typical financing, and informed buyers and sellers.

Principal – The currently unpaid balance of a loan, not including interest.

Principal Assistance Amount – The financial assistance provided to the First Time Homebuyer by the City plus the cost of the lot to the City (if applicable). The total Principal Assistance Amount or loan is set forth in the Mortgage and Promissory Note.

Proceeds of Sale: The difference between the purchase price of a property at the time the property was conveyed by the City and the appraisal value of the property at a subsequent time when the First Time Homebuyer intends to sell or convey the property.

Property Acquisition - The purchase of real property by the City with the intention to convey to an approved applicant of the Affordable Housing program.

Property Conveyance – The sale of City owned vacant land or real property to qualified applicants of the Affordable Housing Program.

Public Service Applicants & Employees – Those who may qualify to receive additional funding, such as: Police Officers, Fire Fighters, Nurses, Teachers and current Hallandale Beach employees.

Restrictive Covenant: The Affordable Housing for First Time Homebuyers Procedures Manual (“the Manual”) incorporated into the promissory note and mortgage, and the City's First Right-of-Buyback incorporated into the Quit Claim Deed upon property conveyance.

=====

Shared Appreciation – At the time the First Time Homebuyer decides to subsequently sell or convey the property so conveyed, the Shared Appreciation is the amount due back to the City at the time of sale or conveyance which is forty percent (40%) of the Proceeds of Sale. The Shared Appreciation will be due to the City regardless of the number of years the property is owned by First Time Homebuyer.

III. ELIGIBILITY

A. Program Eligibility

Home ownership assistance must be conducted within the framework of both the granting agency’s statutory rules and regulations as amended from time to time as well as applicable local policies and procedures. All funds used to administer these programs are presumed to benefit very low, low, or moderate-income persons. All regulatory reviews will be conducted in accordance with Federal and/or State requirements and City of Hallandale Beach policies.

B. Applicant Eligibility

1. Applicants must meet the City’s income eligibility requirements as established by the Federal and/or State guidelines as follows:
 - a) For CDBG funded applicants, that maximum is 80% of the area median, adjusted for family size.
 - b) For City funded applicants, that maximum is 120% of the area median.
2. Applicants must agree to participate in a sponsored credit/home buyer’s training/education course.
3. Applicant may not be anticipating or involved in any bankruptcy during the housing assistance application process.

C. Property Eligibility

1. Properties purchased with City assistance must be located within CRA boundaries.
2. Single family homes, town homes, and condominiums are all eligible. Vacant lots are eligible for new construction.
3. The property to be purchased must pass a home inspection, to include, but not limited to; termite, roof (where applicable), electrical, plumbing, kitchen appliances, air condition, structural, windows and doors, prior to purchase.

=====

IV. POLICY/PROCEDURES

City of Hallandale Beach staff has developed an operating procedures manual to address specific details which will be used for direction as to the proper methods to follow.

- A. City Manager designee will carry out the policy and procedures outlined for affordable housing applicants related program issues.
 - 1. Follow guidelines for approving new applicants.
 - 2. Address needs and concerns to City Manager, as well as Affordable Housing Board of Directors.
 - 3. Work with lenders, builders, and other institutions necessary to carry out the intent of providing affordable housing.
- B. Meetings will be conducted by the Affordable Housing Board of Directors on a regular basis as needed. The Board of Directors shall review staff recommendations regarding policy, funding and other issues relating to the City's Affordable Housing Program.
 - 1. Other duties or requests include technical assistance to construction builders, lending institutions and/or housing applicants prior to or after approval. Exceptions to the above would involve those cases whereby a special situation or occurrence is evident and requires additional authorization or attention from the City Commission or City Manager.

V. LOAN ASSISTANCE AMOUNTS

- A. The First Time Homebuyer's Program will approve applicants for loan assistance amounts up to \$40,000. The increments are as follows:
 - 1. \$25,000 for applicants whose income is below Broward County's 120% median income as defined by the Office of Housing and Urban Development (HUD).
 - 2. \$35,000 for applicants whose income is below 80% of Broward County's median income as defined by the Office of Housing and Urban Development (HUD).
 - 3. \$5,000 additional funds to public services applicants and City employees.
- B. Assets of applicants must not exceed \$10,000.
- C. Applicants must meet the income requirements based on family size followed by the City as determined by the State Department of Housing and Urban Development.

=====

D. Reservation of Funds: Once approval by the Housing Committee has been made, the applicant will be issued a written confirmation for the reservation of funds with a brief explanation as to the next steps to be taken. Funds are reserved for 90 days, at which time if applicant is still in the process of securing a property working with builders and lenders to finalize the project, an extension may be granted. Staff is to generate a Master Purchase Order (pursuant to the City's Purchasing Policy) to set aside the funds for that particular applicant.

VI. LOAN TERMS - All funds distributed for the First Time Homebuyer's Program will be subject to the following terms and conditions:

- A. Length of Mortgage and Promissory Note: The Mortgage and Promissory Note will state that the length of obligation for Principal Assistance funds, which is a period of ten years.
- B. First Right-of-Buy-Back: The City will have the First Right-of-Buy-Back at the time the First Time Homebuyer decides to sell or convey the property. The City may opt to purchase the property at the Market Value (as appraised) minus the Shared Appreciation minus any Principal Assistance Amount due including any deductions (if applicable) as described in section D below. The City shall have fifteen (15) business days to respond to the sale offer after the City has been notified by First Time Homebuyer in writing.
- C. City's Option Not to Purchase: If the City opts not to purchase the property, the Shared Appreciation as well as the Principal Assistance Amount including any deductions (if applicable), as described in section D below, will be due back to City at the time the property is sold or conveyed.
- D. Primary Residence/Homestead: Applicant must maintain the home as their primary/homesteaded residence. If applicant ceases to occupy the home as the primary/homesteaded residence, the total assistance provided will be due plus any penalties and appreciation applicable shall be payable to the City.
- E. Amount Due by Homebuyer at time of sale or conveyance:
 - a. Shared Appreciation: At the time the property is sold or conveyed the Shared Appreciation amount due back at time of sale or conveyance will be forty percent (40%) of the Proceeds of Sale. The Shared Appreciation will be due to the City regardless of the number of years the property is owned by First Time Homebuyer.
 - b. Deductions:
 - i. Sale or Conveyance of Property within first five years: If the Homebuyer sells the property within the first five years, the Principal Assistance amount along with a penalty of twenty percent (20%) of the Principal Assistance Amount plus the Shared Appreciation amount will be due back to the City.
 - ii. Sale or Conveyance of Property between year six and ten: If the property is sold between the sixth and tenth year, the Principal Assistance Amount will be reduced by twenty percent (20%) per year until the tenth year.

=====

Therefore, if the property is sold or conveyed in the sixth year the Principal Assistance Amount will be reduced by 20%, seventh year 40%, eighth year 60% ninth year 80%, and at the tenth the Mortgage and Promissory Note will be satisfied. The Shared Appreciation amount will be due regardless to the City regardless of the number of years the property is owned by First Time Homebuyer.

- iii. Sale or Conveyance of Property after year ten: If the property is sold or conveyed after ten years, only the Shared Appreciation amount will be due to the City.
- iv. Any documented improvements made by First Time Homebuyer to the property which increases the value of the home, will be deducted from the Proceeds of Sale prior to collecting the forty percent Shared Appreciation amount.

For example:

- After Ten Years: If the property was originally purchased by First Time Homebuyer for \$150,000, with Principal Assistance Amount of \$25,000, and the First Time Homebuyer wishes to sell the property after ten years which appraises at \$250,000, the Proceeds of Sale is \$100,000. The City will collect forty percent (40%) of the \$100,000 Proceeds of Sale.
- Sixth to Tenth Year: If the property is sold or conveyed between the sixth and tenth years, the City will collect the forty percent (40%) of the Proceeds of Sale plus the original Principal Assistance Amount reduced by the appropriate 20%. Therefore, if the property was originally purchased by First Time Homebuyer for \$150,000, with Principal Assistance Amount of \$25,000 from the City, and First Time Homebuyer sells the property in the eighth year and the Proceeds of Sale are \$100,000, the amount due would be \$40,000 of Shared Appreciation and \$10,000 which is the Principal Assistance Amount reduced by 60%.
- First Five Years: If the property is sold or conveyed within the first five years, the City will collect the \$25,000 Principal Assistance Amount, a twenty percent penalty which is \$5,000, and the Shared Appreciation amount of forty percent (40%).

F. Vacant lots: City owned vacant lots will be conveyed to approved applicants at the time of closing on the construction loan. The value of the lot will be added to the loan amount. The mortgage amount will be the total loan assistance amount plus the vacant lot.

G. Insurance: Property owners must maintain fire, hazard, flood, and wind storm (where applicable) insurance in an amount that is adequate to cover property replacement, with the City named as loss payee.

VII. APPROVAL PROCESS

A. Review of the application and documentation

=====

- a. Staff Review and Income Certification: When an application is received, staff will input the applicant into the tracking excel spreadsheet and place in a folder. Staff is to review the application to assure that the application is complete. Once the application is complete (including employers income verification), the completed application will be forwarded to finance to verify whether the applicant(s) qualify under the income limits. The adjusted gross income cannot exceed the income limits established by the Broward County Office of Housing and Urban Development. After the applicant is certified as eligible, finance is to also examine the applicant's financial history and make a recommendation to the Housing Committee regarding if any risk exists to the City (i.e. previous bankruptcy filings) to the City in providing a second mortgage. The application will then be forwarded to the Housing Committee.
 - i. Income Certification Training - All CRA Staff and Finance's designee who will be verifying the applicant falls within the required income limits shall attend a income certification training.
 - ii. Housing Committee: Once Finance has certified the applicant as income eligible, the application will be routed to the members of the Housing Committee (Finance Director, Human Resources Director, and the City Manager designee) and returned to CRA Director with comments and results. The Housing Committee is to review the applications, certify that no documentation is missing, and approve, disapprove, or hold for discussion based on the completed application. Once all members have reviewed the application, results will be shared with the full Committee during the regular monthly meetings and a decision will be made.
- III. Applicant Interview: Upon the review by the Committee, an interview may be conducted by staff with applicant. All questions and concerns by both parties will be addressed as well as the procedures to which the applicant will follow through until closing on property.

VIII. CLOSING ON THE LOAN

- A. Closing on the Loan: Once the applicant is prepared to close on the loan the City requires a minimum of ten (10) business working days to process all of the paperwork.
- B. Required Documents for Closing: Prior to closing on the loan Staff must have the following documents:
 - a. Title Commitment Policy/Title Search
 - i. Letter of Approval from Bank/First Mortgage
 - ii. Copy of the HUD/Settlement Statement - If the City is required to execute a HUD, only the City Manager, or his designee as prescribed in writing by the City Manager, shall have the authority to sign and approve the HUD.
 - iii. Executed Land Sale Contract (if purchasing an existing home)
 - iv. Copy of the inspection report including full home/roof and termite inspection (if purchasing an existing home)

=====

- v. Copy of the executed Construction Agreement (if applicable)
 - vi. Completed and approved application.
- b. Preparation for Closing on the Loan: When the applicant is prepared to close on the loan, CRA staff shall prepare a closing package for submission to the City Attorney's Office and City Manager's Office.
- c. Closing Package: Staff is to prepare a closing package which shall include but not be limited to:
- i. New Construction Closing Package:
 - 1. Cover Page which includes the applicants name, property address, amount of the loan, what authority the loan can be distributed (i.e. CAD number, Ordinance...), list of attached documents, and a signature line for the City Attorney and City Manager.
 - 2. Either a Field Purchase Order printout or copy of the Master Purchase Order made payable to Title Company.
 - 3. Copy of the City's Approval letter to the applicant into the program.
 - 4. Copy of the executed Construction Contract.
 - 5. Copy of the City's Mortgage and Promissory Note, Deed (if applicable) and Agreement to Convey or Land Sale Contract (if applicable).
 - 6. Print out of the property from the Broward County Property Appraiser.
 - 7. Copy of the Deed (Staff shall print a copy of the current deed from the Broward County Records Division).
 - ii. Existing Property Closing: Staff is to prepare a closing package which shall include but not be limited to:
 - 1. Cover Page which includes the applicants name, property address, amount of the loan, what authority the loan can be distributed (i.e. CAD number, Ordinance...), list of attached documents, and a signature line for the City Attorney and City Manager.
 - 2. Either a Field Purchase Order printout or copy of the Master Purchase Order made payable to the Title Company.
 - 3. Copy of the City's Approval letter to the applicant into the program.
 - 4. Executed Real Estate Contract between the applicant and third party.
 - 5. Copy of the City's Mortgage and Promissory Note to be executed at closing.
 - 6. Print out of the property from the Broward County Property Appraiser.
 - 7. Copy of the Deed (Staff shall print a copy of the current deed from the Broward County Records Division).

=====

- C. Approval for Closing: The closing package shall be approved by the City Attorney's Office and City Manager prior to submitting the package to Finance to process the check.
 - a. City Attorney Approval: Prior to approval by the City Manager, the City Attorney's Office shall review and approve the closing package including but not limited to, the City's Mortgage and Promissory Note, City's Deed (if applicable) and the City's Agreement to Convey or Land Sale Contract (if applicable). The City Attorney's Office shall also review and approve the HUD/Settlement Statement.
 - b. City Manager Approval: Once the closing package has been approved by the City Attorney's Office, the package shall be submitted to the City Manager for approval and to execute the appropriate documents.
 - c. Finance: After approval by the City Manager, Staff shall submit the closing package to Finance to process a check for closing. Staff shall retain all originals as needed for closing and provide Finance with copies of all back-up.

IX. REFINANCING REQUESTS AND SUBORDINATION

- A. A fee of \$100.00 will be levied for subordination loan requests. If cash is used to pay this fee, there will be no additional delays. If a non-secured instrument (i.e. personal check) is used to pay this fee, there will be a 10-day processing hold. The City will not subordinate below 2nd place lien holder. A subordination packet is to be mailed or faxed to the requestor within two working days of the request. The completed subordination form is to be submitted to the City Manager's office for signature by the Mayor within 24 hours once the completed form and mandatory information is returned to the City.
- B. Mandatory information:
 - a. All fields on the subordination agreement as prescribed by the City Attorney.
 - b. First three pages of the appraisal
 - c. Signed and properly executed subordination request
 - d. New loan information (commitment, terms, etc...)
 - e. Property owner(s) name
 - f. Street Address
 - g. All property owner(s) and other parties with legal ownership standing must be a party in the subordination request.
- C. Subordination approval criteria:
 - a. Calculated loan being solicited plus full amount of liens is less than or equal to 80% of the appraisal value.
 - b. The property does not have code violations.
 - c. The Property has clear title and the subordination will not put the City passed second position.
 - d. Cash out refinancing approval will be at the discretion of the City.

X. SATISFACTIONS OF MORTGAGES

=====

A. The City Manager is authorized to execute and deliver all satisfactions of mortgage after review by the City Attorney's Office. The Community Redevelopment Agency will be responsible for sending each satisfaction of mortgage or release of a lien to Broward County for recording. The homeowner will be responsible to pay all applicable recording cost of said satisfaction of mortgage or release of lien. Acceptable payment will include; money order, cashier's check, or Title Company or Law Firm check made payable to the City of Hallandale Beach. No satisfaction of mortgage or release of lien shall be sent for approval to the City Attorney's Office or City manager's Office until payment of the loan has been processed and cleared by Finance.

B. Approval for Satisfaction and/or Release of Lien:

- a. Approval Package: Staff shall prepare an approval package which shall include but not be limited to:
 - i. A Cover Page
 - ii. Unexecuted Satisfaction of Mortgage and/or Release of Lien
 - iii. Copy of the Recorded Mortgage and Promissory Note (a print out from Broward County Records Division shall be sufficient)
 - iv. Payoff Statement
 - v. Proof of Payment
 - vi. Print-out of the property from the Broward County Property Appraiser's Office.

- b. Submission for Approval: The approval package shall be submitted to the City Attorney's Office to approve the release of lien and/or satisfaction of mortgage. The City Attorney's Office shall verify that the correct information is denoted on the Satisfaction/Release of Lien and verify that payment is consistent with the terms and conditions of the mortgage and promissory note. After approval by the City Attorney's Office, the package shall be submitted to the City Manager for approval and execution.

XI. ADDITIONAL INFORMATION, REQUIREMENTS, AND RESPONSIBILITIES

The Community Redevelopment Agency will be responsible for updating this Policy.