



MEMORANDUM
Department of City Development
730 Washington Avenue, Racine, Wisconsin 53403
Phone: (262) 636-9151 FAX: (262) 636-9329

TO: Members of the City Council

FROM: Joe Heck, Assistant Director of City Development *JH*

SUBJECT: Proposed Neighborhood Stabilization Program (NSP) Application

DATE: January 14, 2009

Attached for your information is a revised general description and budget of activities proposed for Racine under the Neighborhood Stabilization Program (NSP) administered by the Wisconsin Department of Commerce. Some of the information in this memorandum repeats information from a January 7 memorandum on the same subject.

The total project budget, including administrative expenses, is \$2,075,025. Permission to apply for the funding was discussed and recommended at the January 12 Finance and Personnel Committee meeting and will be before the Council for final action on January 20.

The program is designed to be implemented quickly and to build on the city's experience with residential rehabilitation loans and residential property acquisition/resale. The program is expected to last no more than five years and for that reason no new personnel would be hired to administer it. Existing City Development, Housing, and Finance Department staff would implement it. Not-for-profit organizations, such as Neighborhood Housing Services (NHS) of Southeast Wisconsin and Housing Resources, Inc., would be involved in various aspects of the program thereby expanding the expertise available for the program. No matching funds are required, though every effort would be made to leverage the funds in order to benefit more properties.

Properties would be purchased at no more than 85 percent of their appraised value and sold for no more than the total of the original purchase price and the costs of rehabilitation or new construction. Down payment assistance would be available as an incentive to purchase. Deed restrictions would assure the continued affordability of the properties. Specific properties have not been identified, but it is estimated that 24 foreclosed or abandoned properties in the target area could be returned to homeownership during the first phase of the project with more to follow depending on the amount of program income generated by the project.

The proposed activities to be included in the city's funding application would be targeted to census tracts with the highest foreclosure risk scores as calculated by the U. S. Department of Housing and Urban Development (Tracts 2, 3, 4, 5, 6, 7, 8, 9.01, 10.01, 10.02, 10.03, 12.01, 12.02, 13.01, and 13.02, representing about 85 percent of the entire city). A map of the target area is attached.

If you have questions or comments on this proposal, please call me at 636-9477.

Racine Neighborhood Stabilization Program Description of Activities

The following activities are proposed for funding under the Neighborhood Stabilization Program (NSP) administered by the Wisconsin Department of Commerce.

Demolition/New Construction (Redevelopment)

Purchase and demolition of blighted properties as defined by Wisconsin statutes; construction of new housing on the cleared sites; forgivable down payment assistance loans to purchasers of newly constructed homes.

No. of Units: 4

Rehabilitation Loans to Purchasers

Forgivable down payment assistance loans to purchasers of foreclosed or abandoned homes; rehabilitation loans to purchasers of foreclosed or abandoned homes.

No. of Units: 10

Purchase/Rehabilitation/Resale

Purchase and rehabilitation of foreclosed or abandoned homes, including eligible pre-purchase and carrying costs; forgivable down payment assistance loans to purchasers of rehabilitated homes.

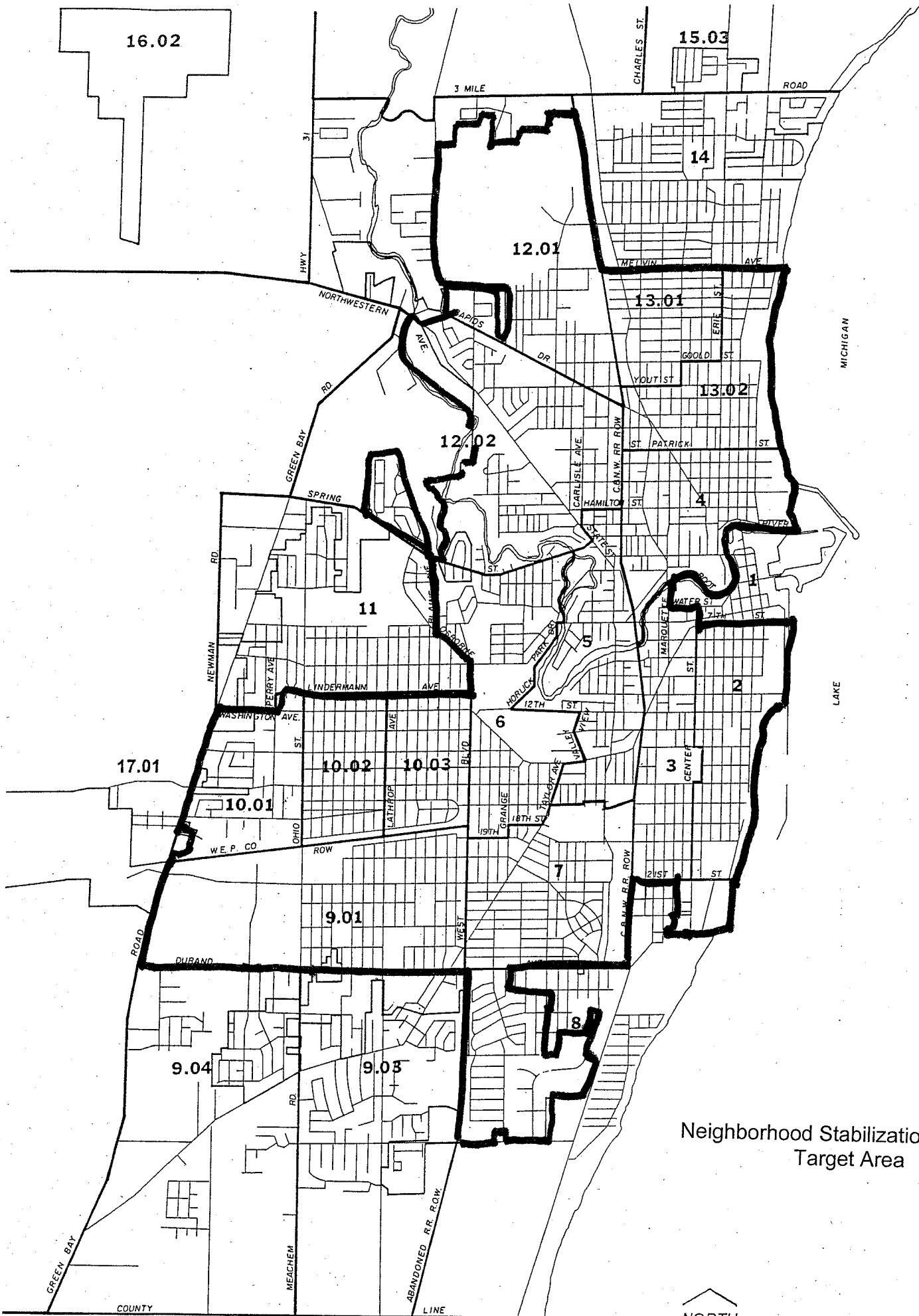
No. of Units: 10

Program Administration

Lead-based paint risk assessment of foreclosed or abandoned homes proposed for rehabilitation loans or purchase/rehabilitation as described above; appraisals of foreclosed or abandoned homes proposed for acquisition; reimbursement of homebuyer education fees for purchasers of homes under the program; administration and general oversight of construction and purchase/rehabilitation projects as described above; program monitoring and reporting.

Proposed Neighborhood Stabilization Program Budget: Racine, WI

<u>Activity Name</u>	<u>Activity Component</u>	<u># Units</u>	<u>Estimated Unit Cost</u>	<u>Estimated Total Cost</u>
Demolition/New Construction (Redevelopment)	Acquisition	3	\$ 35,000	\$ 105,000
	Demolition	4	\$ 10,000	\$ 40,000
	New Construction	4	\$ 175,000	\$ 700,000
	Homebuyer Education	4	\$ 600	\$ 2,400
	Down Payment Assistance	4	\$ 5,000	\$ 20,000
SUBTOTAL				\$ 867,400
Rehabilitation Loans to Purchasers	Homebuyer Education	10	\$ 600	\$ 6,000
	Down Payment Assistance	10	\$ 5,000	\$ 50,000
	Rehabilitation Loans	10	\$ 25,000	\$ 250,000
	SUBTOTAL			\$ 306,000
Purchase/Rehab/Resale	Acquisition	10	\$ 40,000	\$ 400,000
	Rehabilitation	10	\$ 22,500	\$ 225,000
	Pre-purchase Costs	10	\$ 2,500	\$ 25,000
	Carrying Costs	10	\$ 4,000	\$ 40,000
	Homebuyer Education	10	\$ 600	\$ 6,000
	Down Payment Assistance	10	\$ 5,000	\$ 50,000
SUBTOTAL				\$ 746,000
Program Administration	Lead-based Paint Risk Assessments	20	\$ 400	\$ 8,000
	Property Appraisals	20	\$ 800	\$ 16,000
	Property Inspections	20	\$ 500	\$ 10,000
	Construction Administration	14	\$ 6,607	\$ 92,498
	Program Monitoring & Reporting			\$ 29,127
SUBTOTAL				\$ 155,625
GRAND TOTAL				\$ 2,075,025



Neighborhood Stabilization Program
Target Area

