



Date: August 10, 2011  
To: Members of the Community Development Commission  
From: Lisa Pugliese  
**Re: Proposed Changes to AHC's Rehab Programs**

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AHC has applied for and been awarded funding annually since 1998 for its rehabilitation services. Since that time, we have improved nearly 200 owner-occupied and foreclosed units.

The goal of the Homeowner Rehabilitation Program (HRP) is to improve the County's existing owner-occupied affordable housing stock, while also providing safe, decent, and (where needed) handicap-accessible housing for low-income households. The HRP does this by providing loans to low-income homeowners whose properties are in need of critical rehab work. Loans are funded with HOME and CDBG dollars in the form of 0%-interest deferred loans and/or through a consortium of private banks that allows for amortized loans at 3%-interest. The nature of the work varies for each unit, but always has the end goal of insuring a safe, healthy, structurally-sound and code-compliant home. Repairs may include items such as: lead or mold remediation; repairs of basic structures and systems such as plumbing, electrical, heating, roofing, etc, and; installing ramps, widening doors and other such modifications for seniors and persons with disabilities. In addition, AHC oversees the construction services to insure quality work by reputable contractors at a fair price. This includes inspecting the property, putting together an improvement plan, obtaining bids, overseeing the work, inspections and re-inspections.

In 2005, the County approved expanding the HRP to include the acquisition, rehabilitation and resale of foreclosed or vacant homes. For these homes, AHC oversees all aspects of property acquisition, construction, resale, and the interim maintenance required while rehabilitation is being carried out. AHC has also conducted acquisition rehabs using Neighborhood Stabilization Program funding.

The economic and foreclosure crises have created changes in the housing market and the housing needs of individual households. Those changes have been reflected in AHC's program usage. For example:

- AHC's homebuyer programs saw a slowdown in activity for more than 18 months attributable to, in large part, depressed economic conditions and changing standards within the lending industry that rendered AHC's program largely unusable. AHC made changes to its programs to address the latter issue and is happy to report a significant increase in activity since that time. However, the period of slower activity resulted in unused HOME dollars in the amount of \$150,000.

- There has been a decrease in program usage of our HRP. The majority of homeowners that have inquired about or applied for our program in the past two years are in a negative or limited equity situation or in foreclosure. As a result, AHC was unable to use a portion of its PY10 Rehab Administrative Grant. This was subsequently rolled into the FY11 grant, generating an additional \$19,201.60 beyond what AHC anticipates needing for its admin needs in the current year.
- The foreclosure crisis has created a plethora of vacant homes and struggling neighborhoods, thereby also creating a need for acquisition rehab programming.

In light of these circumstances, AHC requests repurposing funds as follows:

- Our FY11 CDBG contract for rehab administrative services states that we will complete 18 owner-occupied rehabs. We propose shifting some of this effort to acquisition rehabs. While we request that the contract verbiage is flexible enough to accommodate unexpected HRP demand, we anticipate completing 4-5 owner-occupied rehabs and 6-7 acquisition rehabs.
- In nearly all cases, acquisition rehabs create a financial project loss. Whereas traditional free enterprise allows a business to merely address cosmetic issues, AHC insures the home meets health, safety and code standards and is structurally sound. We often acquire the homes that private investors will not tackle for costs reasons. As such, we request that the unused \$150,000 in HOME funds described above is repurposed to provide subsidy that covers the expected loss. Our intent is to use a maximum of \$150,000 for all homes total, with an average loss of about \$20,000 per unit.
- As noted above, AHC provides loan financing for homeowners utilizing the program. A portion of this is paid for using a revolving loan pool of CDBG funds. AHC proposes repurposing the \$19,201.60 referenced above to be used for deferred loan funds. This is particularly important at this time, as a record low number of clients qualify for an amortized loan due to equity loss.

Thank you for your consideration of this request. AHC can have the greatest impact by remaining flexible to the changing needs of consumers and communities, but we can only do this with the support of our funders. We hope to be able to implement these changes with our existing contracts that still have funding available. Please contact me at 847/263-7478 if I can provide you with any further information.