

**CITY OF PENSACOLA
RESIDENTIAL LOT PURCHASE PROGRAM GUIDELINES**

BACKGROUND:

Nationwide, and within the local community, there is increased interest in the development of affordable housing. Affordable housing is defined as housing that costs no more than 30% of a household's gross income. To address the need for the development of affordable housing and return city owned property back into productive use, the Housing Division proposes to implement the Residential Lot Purchase Program. The program will provide home ownership opportunities within the urban core by assisting qualified lower income homebuyers to construct affordable neighborhood friendly single family homes on City owned residential parcels. The houses will be starter homes, affordable, and meet all the broad goals and objectives of the City's neighborhood and infill plans. The program will target low to moderate income households. In the Pensacola metropolitan area, current data sets this range from \$47,700 to \$71,520 for a family of four. The proposed program was presented to the Escambia-Pensacola Affordable Housing Advisory Committee and received unanimous support. Similar strategies have been successfully offered by the City. Since 1990, 49 homes have been built from East Hill to Brownsville under the City's CRA Housing Projects, the Urban Infill Housing Program, the Urban Homestead Program, and the Neighborhood Stabilization Program.

PROGRAM:

The program will offer a qualified buyer a residential lot providing them the opportunity to construct a single family house sized for zoning conformity and neighborhood compatibility. The qualified buyer will select a house plan from the catalog of plans the Housing Division has designed to complement the various neighborhoods served throughout the City and built since 2002 under the HOME Housing Reconstruction Program. The following table provides income guidelines, adjusted for family size, which will be used to implement the program.

<u>Family Size</u>	<u>Low Income (80% AMI)</u>	<u>Moderate Income (120% AMI)</u>
1	\$33,400	\$50,160
2	\$38,200	\$57,240
3	\$42,950	\$64,440
4	\$47,700	\$71,520
5	\$51,550	\$77,280
6	\$55,350	\$83,040
7	\$59,150	\$88,800
8	\$63,000	\$94,440

The program income criteria will be updated annually in accordance with the income guidelines published by the U. S. Department of Housing and Urban Development.

The residential lot will be offered to the qualified homeowner via a deferred payment loan at 0% interest secured by mortgage and note. The lot value will be based upon the appraised value of the land and will be forgiven in annual increments over five years assuming compliance with all program requirements. The sale, rental, or transfer of ownership during the mortgage term shall be a default whereupon the City's investment shall be repaid (repayment in full will be required for defaults within one year of purchase, and repayment of the undepreciated portions will be required for default after the initial year). The value of the land and selling price of the home will be established by a licensed fee appraiser.

Additionally, as a condition of the sale, the purchaser will grant the City of Pensacola a right of first refusal to purchase the property prior to their acceptance of any offer to sell or otherwise convey the property during the term of the loan.

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The purchase price when offered to the City under the right of refusal will not exceed the original selling price, thus maintaining continued affordability.

Residential lots suitable for the program will be identified through the City's property disposition process and other property acquisition methods presented to the City.

PROGRAM IMPLEMENTATION:

The Housing Division will perform all marketing, intake and screening for income eligibility and credit-worthiness and perform administrative activities including offering the possibility of financial assistance for those able to qualify for down payment and closing cost assistance through programs administered by the Housing Division. Marketing of these lots will, first, be neighborhood-centered with on-site signage clearly illustrating the vision, price, and opportunity to buy. Additional outreach opportunities include churches, neighborhood groups as well as conventional media.

The conveyance of these properties will be via a lottery consisting of a pool of interested, pre-qualified prospective homeowners. All persons, having visited the site, and declaring their interest in buying and building there will be directed to secure a firm letter of commitment of their financial ability from a qualified lender within 60 calendar days from the start of the campaign. On a specified date and time a drawing will be held from that pool and the winner announced. 2nd and 3rd choice winners will also be identified should the first place winner prove unable to secure first mortgage financing.

The buyer will secure financing for the value of the improvements only. Whether structured as a conventional construction-perm loan from a private lender or utilizing other approved construction financing methods, the City will deed the land to the buyer at closing, taking back a subordinate mortgage for the land value.

The lots will be developed and houses built through a competitive bid process entered into by appropriately licensed and insured contractors able to secure permits from the City's Inspections Services Division with the Housing Division providing project management and oversight. The Housing Division will process, at a minimum, 25% of the properties made available for the program within a 12 month period. Program production will be dependent on the availability of property and qualified purchasers.

PARTICIPATION REQUIREMENTS:

- Participation in the program is voluntary and requires that all the program requirements have been met and continue to be met for the duration of the mortgage period.
- Applicant must be income eligible.
- Applicant must have sufficient income and credit to obtain financing from a lender to support the first mortgage payment.
- Applicant must participate in a HUD certified homebuyer education class.
- Applicant must contribute a minimum of \$1,000 toward the purchase of the home (this amount can include documented expenses paid outside of closing).
- Buyer must attend a free foreclosure prevention class post-purchase offered by the Housing Division.