

NSP2 Substantial Amendment – Public Comment Period 12/01/11 – 12/11/11

The Michigan State Housing Development Authority (MSHDA) submitted the Neighborhood Stabilization Program 2 NOFA Submission (NSP2 Plan) to the U.S. Department of Housing and Urban Development (HUD) on July 13, 2009. HUD subsequently approved the plan and entered into a grant agreement with MSHDA on January 14, 2010. The Citizen Participation Plan requires that the State solicit comments from the public regarding proposed substantial amendments to the NSP2 Plan during a 10 day public comment period. The State of Michigan is proposing the following substantial amendment to the NSP2 Plan, effective upon HUD's approval:

MSHDA is proposing a substantial amendment to the NSP Plan to modify the Census Tracts in Michigan NSP2 Consortium Target Geography (Pages 119 and 120) to include additional areas within the City of Highland Park and City of Wyandotte. The State of Michigan's NSP2 Substantial Amendment describes how it will add two census tracts (5534 and 5538) in the City of Highland Park and one census tract (5801) in the City of Wyandotte. Please refer to the attached documentation for additional details.

Comments relative to this substantial amendment should be provided in writing and addressed to:

Michele Wildman
MSHDA
735 E. Michigan Avenue
Lansing, Michigan 48912 or emailed to:
wildmanm@michigan.gov

The 10 day comment period begins December 1, 2011 and will close December 11, 2011.

Special Assistance: Persons with disabilities needing accommodations for effective participation in the public comment period on the NSP2 Plan should contact Clarence Stone, Director of Legal Affairs, MSHDA, 735 East Michigan, P.O. Box 30044, Lansing, Michigan 48909 (517) 373-8295 or TTY (800) 382-4568.



CITY OF HIGHLAND PARK

Return to Excellence

Hubert Yopp
Mayor

November 18, 2011

Michigan State Housing Development Authority (MSHDA)
Attn: Edwin Harlin, Southeast Michigan Development Office
Cadillac Place
P.O. Box 02990
Detroit, Michigan 48202

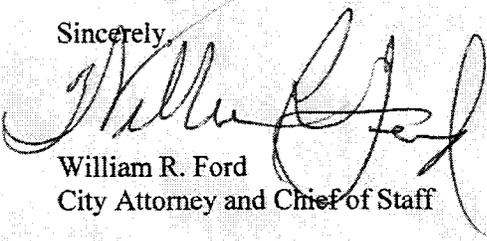
Dear Mr. Harlin:

The City of Highland Park continues to thank the Michigan State Housing Development Authority (MSHDA) for allowing our City to participate as one of the twelve Consortium communities for the Neighborhood Stabilization Program 2 (NSP 2 program). As the City of Highland Park moves forward in our mission to stabilize neighborhoods in our community with blight removal, new construction, rehabilitation of homes, while providing economic opportunities, primarily for persons of low and moderate income, we remain focused on the specific target areas proposed.

At this time, the City of Highland Park is requesting permission to expand the current target area so that additional work can be completed to further achieve the NSP2 program goals. This expansion will allow us to do additional demolition, new construction and provide additional opportunities to satisfy the LISA requirements. Census tracts 5534 and 5538 (Midland to the north, Woodward east, Tuxedo south and Hamilton west) are adjacent to the existing approved tracts and our current proposed activities. This census tract expansion would increase significantly the number of homes and blight the City can remove, strategically complete more new construction, as well as provide additional economic opportunities within the community.

The City of Highland Park is excited to continue aggressively moving forward with our projects to satisfy the requirements of MSHDA and HUD, and for the improvements to our community. We thank you for your support.

Sincerely,


William R. Ford
City Attorney and Chief of Staff

Robert B. Blackwell Municipal Building
12050 Woodward Avenue
Highland Park, Michigan 48203
313-252-0050 ext. 232
313-852-7320 fax

Highland Park

NSP2 ADDITIONAL FUNDING REQUEST

Target Area

Midland to the north, Woodward east, Tuxedo south and Hamilton west

Request for Expanded Census Tracts will include

CT 5534 and 5538

Expansion Impact

City has identified at least \$3,700,000 in additional demolition and development in the expanded census tracts.

The City of Highland Park, Department of Buildings and Safety has begun to identify additional demolition and infill development opportunities in the above expanded census tracts. At least 60 additional parcels are eligible for immediate demolition (54 residential and 6 large mixed use structures). Seventeen (17) of these properties are publicly owned whereby (10) sites could be developed for in-fill single family new construction to stabilize additional neighborhood blocks returning needed tax revenue to the City.

Residential demolition costs are running an average of \$10,000 per residential structure. Mixed use demolition costs range between \$80,000 and \$170,000 per structure depending on size and type of structure. New construction costs for development average \$220,000 per unit.

The expansion of the census tracts will afford the City of Highland Park an excellent once in a lifetime opportunity to:

1. Remove blight impacting more stable blocks
2. Satisfy the Low Income Set Aside (LISA) requirement
3. Create additional job opportunities in our community

We respectfully submit this request for at least \$3,700,000 in NSP2 funds for your review.

HIGHLAND PARK NSP2 AMENDMENT REQUEST

NSP2 Rating Factors and Sub-factors

1.) Need/Extent of the Problem

a. Target Geography

- Our requested change in the Michigan Consortium's target geography is a small one, involving adding two tracts to the original Highland Park target area. The impact of the change over the whole of the Consortium is too small to alter any of its fundamental housing market characteristics, but locally it is very important to how NSP2 activities will benefit the city of Highland Park.
- Housing market indicators Consortium-wide are not heavily affected by the proposed Census Tract changes in Highland Park. The number of households residing in the Consortium (including the Highland Park changes) currently, estimated by ESRI, is 107,232. This represents a change of about one percent from the Consortium total without the changes in Highland Park, and a 12% change in the Highland Park portion of the Consortium. Changes in the household count in the Consortium between 2000 and 2010 reveal declines regardless of which Highland Park tracts are used. With the proposed changes, Consortium households decreased in number by about four percent. Without the changes, the drop was less, at about three percent.

According to data from the Home Mortgage Disclosure Act, the Michigan Consortium had a total of 1,445 applications for home mortgages that year. The average amount per application was \$66,896. Successful apps accounted for 63.6% of the total, an increase over the numbers in the original app. The average amount per successful application was \$72,328. With the new Highland Park configuration, the numbers change only a little. In that case, 1,425 apps were received, with an average value of \$67,164. The success rate goes up slightly (to 63.7%), and the average value of successful apps was \$72,764. Without regard to the particular Highland Park tracts used, the volume of applications is down significantly from 2007 levels in the consortium. That year, 4,800 were received—and that was down from 7,900 in 2006. Success rates have significantly increased, moving from the mid 50% range to their present levels at around 63%. While the increasing success rates are encouraging, the overall situation still indicates problems in the home finance sector, which impinges on a household's ability to get credit for home purchases.

Another factor widely associated with housing demand is unemployment. Due to the way information on this is collected by the Bureau of Labor Statistics, one cannot ascertain how changes in Highland Park census tracts will change the overall Consortium figures. Currently, Highland Park is experiencing an unemployment rate of 23.6%, up from the 17.5% reported in 2008. As all Consortium members have seen their jobless rates increase strongly over the last two years, the more important source

of change is the general economic recession in Michigan, rather than the changed target area in Highland Park.

b. Market Conditions and Demand Factors

Without changing the borders of the Consortium's target area, a total of 20,461 residences have been identified by the US Postal Service as being vacant as of the third quarter of 2010. If the changes in Highland Park are allowed, that total changes to 21,275, an increase of about four percent. Little change is evident in the absorption rate, estimated by dividing the number of vacant structures by threat of successful HMDA applications per month. Without changes, an absorption rate of about 78 units per month is estimated, for an absorption period of nearly 22 years. With the proposed changes, the absorption rate is 77 units per month, implying an absorption period of 23 years.

Income characteristics are not changed much by the proposed changes either. Without them, the number of households earning below 80% of AMI is just over 59,117, or about 56% of the Consortium's total household count. With the changes, the number of households in that income range is 59,968, or again about 56% of the total. Overburden is most common among the households making less than 50% of AMI. Among this group, over 80% are paying in excess of 30% for their shelter, a number that changes little with the swapping of the Highland Park tracts. The changes in Highland Park do not alter the major reason for the market issues that the Consortium confronts—the major loss of employment is the overriding factor in this regard.

4.) Leveraging

b. Rubric

The Consortium's rubric score has changed drastically, due to the increase in the number of vacant structures in the target geography since the application was submitted to HUD in 2008. Originally, about 15,000 structures were vacant according to the US Postal Service. That number changed to 20,461 in the Consortium's original tracts. Given the amount of acquisition/rehab and Demolition planned by its members, and changes in the number of acquisition/rehabs and demolitions the Consortium plans to do, the new Consortium rubric score is 35.8. Factoring in the proposed changes in Highland Park (which leads to an increase in the number of vacant units to approximately 21,300) yields a rubric score of 34.4, a minor decrease.



Amendment Request for Michigan NSP 2 Consortium

City of Wyandotte/ Michigan Land Bank Fast Track Authority Partnership

NSP 2 Rating Factors and Sub-factors

1) Need/Extent of the Problem

a. Target Geography

- The Michigan Land Bank Fast Track Authority with the support of the City of Wyandotte is requesting the addition of a census tract to the City of Wyandotte's NSP 2 target geography. In Wyandotte the original target geography is small and the addition of this census tract will aid in stabilizing more neighborhoods in the community. The City of Wyandotte was the only community in the southeast Michigan NSP 2 Consortium to meet and exceed the 50% expenditure deadline.
- The City of Wyandotte, much like the rest of the members of the Michigan NSP 2 Consortium, has been hit hard by vacancy and foreclosures. We are requesting to add census tract 5801003 to the two established NSP 2 target census tracts. According to data from the Department of Housing and Urban Development, the proposed census tract has a foreclosure risk score of 17 or more.
- The 2010 United States Census reports that the total number of housing units in the City of Wyandotte is 11,944 with an overall vacancy rate of 9.6%. The 2010 United States census further revealed that the proposed census tract has a vacancy rate of 12.6%. Due to the housing and financial crises, the City of Wyandotte has seen an increase in vacant housing units.
- In 2000, the United State Census reported that The City of Wyandotte had vacancy rate of 4% and the proposed census tract had a vacancy rate of 5.6%. The vacancy rate in the proposed census tract increased 125% between 2000 and 2010. Overall the vacancy rate in Wyandotte increased 140% between 2000 and 2010.
- The housing and financial crisis has negatively influenced the flow of credit into the housing market. The ability to be approved for a home loan over the last couple of years has become increasingly more difficult. According to data reported from the Home Mortgage Disclosure Act in 2010, the proposed census tract had 11 home loan



applications. Out of the 11 home loan applications, 2 of the applications were successful.

- o The main factor associated with the vacancy and foreclosure rates is unemployment. The American Community Survey 2005-2009 five-year estimate reports that the unemployment rate of the proposed census tract was at 6%. Currently the proposed census tract is experiencing a 7.3% unemployment rate according to the 2010 U.S. Census. The weak economy and job market continue to have a negative impact on the strength of Michigan neighborhoods. The City of Wyandotte is small tightly knit community and the presence of vacant homes in the neighborhoods threatens the safety and vitality of the community.

b. Market Conditions and Demand Factors

- o Within the current NSP 2 eligible census tracts the Michigan Land Bank has acquired 14 properties to date. Currently there are three eligible properties on the market for acquisition within our established NSP 2 target geography.
- o On the Michigan Land Bank's side of the NSP 2 grant, there is \$536, 646 left to expend by the end of the grant period in February 2013. In the current defined NSP 2 target area for Wyandotte the universe of available properties is limited.
- o In Wyandotte, there are more eligible properties outside the approved target area than inside. Exhibit (A) refers to the list of vacant properties registered per Wyandotte's Vacant Property Registration Ordinance. Exhibit (B) is a map of the City of Wyandotte and the current NSP 2 geography. The yellow dots represent data from the Wayne County registration on 2011 tax foreclosures. The green dots represent vacant property per the city's ordinance.
- o Due in part to the NSP 2 restrictions, other potential buyers have a competitive advantage in purchasing properties. The City of Wyandotte has strong market and it is anticipated that the City will be able to sell the NSP 2 homes quickly. Expanding the City of Wyandotte's NSP 2 target geography will enable the Michigan Land Bank to expend the NSP 2 funds by February 2013. In addition, it would aid in stabilizing a neighborhood that based on the city's recommendation, is challenged by income and unemployment rates comparable to other NSP 2 neighborhoods.

2) **Demonstrated Capacity and Relevant Organizational Staff (no change from application)**

a. Past Experience of the Applicant



b. *Management Structure*

- 3) **Soundness of Approach (no change from application)**
 - a. *Proposed activities*
 - b. *Project Completion Schedule*
 - c. *Income Targeting*
 - d. *Continued Affordability*
 - e. *Consultation, Outreach, Communications*
 - f. *Performance and Monitoring*
- 4) **Leveraging (no change from application)**
 - a. *Leveraged Funds*
 - b. *Rubric*
- 5) **Energy Efficient Improvements and Sustainable Development Factors (no change from application)**
- 6) **Neighborhood Transformation and Economic Opportunity (no change from application)**

WYANDOTTE NSP2 AMENDMENT REQUEST

NSP2 Rating Factors and Sub-factors

1.) Need/Extent of the Problem

a. Target Geography

- Our requested change in the Michigan Consortium's target geography is the addition of one tract to the original Wyandotte target area. The impact of the change over the whole of the Consortium is too small to alter any of its fundamental housing market characteristics, but locally it is very important to how NSP2 activities will benefit the city of Wyandotte.
- Consortium-wide housing market indicators and trends are not heavily affected by the proposed Census Tract changes in Wyandotte. ESRI estimates that the current number of households in the Consortium's target geography is about 110,453. The proposed changes in Wyandotte would bring the count to just over 111,300, an increase of about one percent. The number of households in Wyandotte that would reside in the target geography would also increase slightly, to just under 4,000, up from about 3,100. This represents an increase of approximately 28%. Changes in the household count in the Consortium between 2000 and 2010 reveal declines of about six percent regardless of which Wyandotte tracts are used.
- According to data from the Home Mortgage Disclosure Act, the Michigan Consortium had a total of 5,755 applications for home mortgage loans in 2007. The average amount per application was about \$75,700. Successful apps accounted for just over half of the total. The average amount per successful application was slightly lower, at about \$73,000.

With the new Wyandotte configuration, the numbers change only a little. In that case, 5,812 apps were received, with an average value of about \$75,900. The success rate remains at about half of the total, and the average value of successful apps was \$73,200. Without regard to the particular Wyandotte tracts used, the volume of applications in 2010 was down significantly from 2007 levels in the consortium. That year, only about 1,200 apps were received. Success rates have significantly increased, moving to their present levels at around 62%. While the increasing success rates are encouraging, the overall situation indicates continuing problems in the home finance sector and a lack of lending for home purchases.

- Another factor widely associated with housing demand is unemployment. According to the 2005-2009 American Community Survey, the Consortium has an unemployment rate of about 17%. Wyandotte's rate of unemployment was estimated at eight percent. Only marginal changes result from refiguring the

unemployment rate with the proposed Wyandotte tracts. All Consortium members have seen their jobless rates remain significantly higher than the national average over the last two years. This situation implies that employment is still pivotal to housing demand in the state, regardless of the configuration of the Consortium's target geography.

b. Market Conditions and Demand Factors

- Without changing the borders of the Consortium's target area, a total of 24,828 residences were identified by the 2005-2009 American Community Survey as vacant. If the change in Wyandotte is allowed, that total rises only marginally, to 24,990. This is an increase of less than one percent. Little change is evident in the absorption rate, estimated by dividing the number of vacant structures by the rate of successful HMDA applications per month. With changes, an absorption rate of about 62 units per month is estimated, for an absorption period of about 33 years. These numbers are quite similar to the Consortium's absorption trend without any changes being made (61 units per month and 34 years).
- Income characteristics are not changed much by the proposed changes either. Without them, the number of households earning below 50% of AMI is just over 38,600, or about 35% of the Consortium's total household count. With the changes, the number of households in that income range is about 39,200, or again about 35% of the total. Overburden is most common among the households making less than 50% of AMI. Among this group, about 56% are paying in excess of 30% for their shelter, a number that changes little with the swapping of the Wyandotte tracts. The changes in Wyandotte do not alter the major reason for the market issues that the Consortium confronts—the major loss of employment is the overriding factor in this regard.

4.) Leveraging

b. Rubric

- The Consortium's rubric score has changed drastically, due to the increase in the number of vacant structures in the target geography since the application was submitted to HUD in 2008. Originally, about 15,000 structures were vacant according to the US Postal Service. That number changed to about 24,800 in the Consortium's original tracts, according to the American Community Survey. Given the amount of acquisition/rehab and demolition planned by its members, and changes in the number of acquisition/rehabs and demolitions the Consortium plans to do, the new Consortium rubric score is 29.5. Factoring in the proposed changes in Wyandotte (which leads to an increase in the number of vacant units to just under 25,000) yields a rubric score of 29.3, a minor decrease.