SUBJECT: GAP FINANCING PROGRAM

PURPOSE: To support the rehabilitation of vacant residential structures and/or construction of new houses that are consistent with the City’s strategies to eliminate blight, increase homeownership, and provide affordable housing.

POLICY:

The City of Grand Rapids shall provide financial assistance to qualified parties who agree to develop housing for low- or moderate-income owner occupancy within the Community Development General Target Area.

I. **Eligible Properties.** Properties to be rehabilitated under this policy shall meet the following criteria, as further defined in the Administrative Guidelines:

   A. **Eligible Properties.** Eligible properties may be vacant residential structures that are suitable for rehabilitation, vacant structures that will be demolished and a new house built on the site, or buildable vacant lots for new construction. Properties may be privately- or publicly-owned.

   B. **Location.** Assisted properties shall be located in residually-zoned districts within the Community Development General Target Area, including the Specific Target Areas.

   C. **Assistance Needed.** Participation in the program shall be limited to projects where the total development costs exceed the post-rehabilitation market value.
D. **Identification of Projects.** Projects shall be targeted to properties that, upon completion, would have a significant positive impact on the immediate neighborhood, and would provide a one- or two-family structure suitable for homeownership. The Assistant City Manager for Planning and Community Development Services shall appoint a staff Gap Financing Committee to review and recommend projects for approval. The Committee will consider neighborhood input on the project prior to recommending a project for approval.

II. **Eligible Participants.** Participants in this program shall meet the following criteria, as further defined in the Administrative Guidelines:

A. **Eligibility.** Nonprofit corporations and investors are eligible for assistance under this program, providing said parties are not receiving other City housing program funds (except for City Homebuyer Assistance Fund assistance) for the subject property.

B. **Ownership.** Participants shall have insurable title to the subject property. Documentation of insurable title shall be a condition of the City’s commitment for gap financing assistance, except as provided in the Administrative Guidelines.

C. **Financial Capacity.** Participants shall have documented financial ability to cover the full costs of development.

D. **Technical Capacity.** Participants shall have the capacity to manage all aspects of the development project and to fulfill the requirements of the program.

E. **City Employees.** City employees, and their spouses, are not eligible to receive assistance under this Policy, except as allowed under applicable law and as determined by the City Attorney’s Office.

III. **Development Requirements.** Properties receiving financial assistance under this program must meet the following criteria, as further defined in the Administrative Guidelines:

A. **Development Plan.** The subject property shall be rehabilitated or constructed in accordance with a Development Plan recommended by the Gap Financing Committee, which shall include correction of all violations of the City’s Housing Code and compliance with all applicable federal regulations (e.g. Historic Preservation requirements, lead paint hazard remediation, etc.). The City may, at its discretion, mandate repairs that exceed Housing Code requirements and may require conversion to a lower density. Demolition is an eligible activity, provided the site will be used for the construction of a new house.
B. **Schedule for Completion.** The rehabilitation/construction of the subject property shall be completed within twelve (12) months from the City’s written commitment of funding to the project, unless otherwise specified in the Development Plan.

C. **City Commission Approval.** The City Commission shall review and approve a Development Plan for each project prior to the commitment of funding.

IV. **Occupancy Requirements.** Properties assisted under this program shall meet the following criteria, as further defined in the Administrative Guidelines:

A. **Owner Occupancy.** Following rehabilitation, the assisted property is required to be used as an owner-occupied residence by a low- or moderate-income household for a minimum of sixty (60) months. The determination of income eligibility is made at the time of purchase. The definition for low- and moderate-income households is derived from federal guidelines governing the Community Development Block Grant and the HOME Investment Partnerships programs.

B. **Covenant Running With the Land.** To insure compliance with the sixty (60) month owner-occupancy requirement, the low- or moderate-income home buyer shall be required to execute a covenant running with the land or similar document approved by the City Attorney at the time of closing.

V. **Financial Assistance.** Properties may receive the following financial assistance under this program, as further defined in the Administrative Guidelines:

A. **Maximum Assistance.** Assistance shall not exceed the maximum allowed under the HOME Investment Partnerships Program. Progress payments may be made, as mutually determined between the City and the participant prior to the start of work and as incorporated into the Development Plan. Where feasible, the completed project will be sold for the appraised value.

B. **Purchase Price Subsidy.** In the event the City has determined that a low- or moderate-income household cannot purchase an assisted property at its appraised value, the City may at its option, and within the maximum assistance levels specified in Section V.A., provide the household with a purchase price subsidy loan for the difference between the purchase price and appraised value. The terms of said purchase price subsidy shall be detailed in the Administrative Guidelines.
VI. Miscellaneous Provisions.

A. **Availability of Funding.** Funds shall be available before funding commitments can be made. Funding is expected to be derived primarily from the U.S. Department of Housing and Urban Development’s HOME Investment Partnerships Program (HOME) and/or the Community Development Block Grant (CDBG) program, although other funds may be used if available.

B. **Federal Regulations.** Applicants shall comply with all applicable federal regulations. In the event that applicable CDBG and/or HOME Program regulations, or other federal regulations, are in conflict with this Policy, the stricter of the two standards shall apply. This Policy shall automatically adopt any changes to CDBG, HOME, and other applicable regulations which govern a source of funds.

C. **Exceptions to this Policy.** Applicants may appeal administrative interpretations of this Policy and Administrative Guidelines to the Assistant City Manager for Planning and Community Development Services.

D. **Delinquency Control Committee.** Financial assistance recipients who do not comply with the conditions of their City mortgage, promissory note, or other legal documents, shall have their accounts forwarded to the Delinquency Control Committee. This policy authorizes the Delinquency Control Committee to pursue delinquent or noncompliant Gap Financing Program accounts.

E. **Definitions.** Definitions of terms used in this policy shall be found in the Administrative Guidelines.