

**ST. PETERSBURG CITY COUNCIL**  
**Committee Report**  
**Council Meeting of June 5, 2008**

**TO:** The Honorable James Bennett Chair, and Members of City Council

**FROM:** Housing Services Committee: Leslie Curran, Chair, Herb Polson, Vice-Chair, Karl Nurse, Councilmember, Jeff Danner, Council Vice-Chair, Wengay Newton, Councilmember, Bill Dudley, Councilmember

**RE: Housing Services Committee Meeting of May 29, 2008**

**New Business:**

Committee Chair Curran requested an update of the Mercy Hospital Housing Development site by Deputy Mayor Metz of Neighborhood Services.

**Update of Mercy Hospital Housing Site by David Metz, Deputy Mayor, Neighborhood Services**

Deputy Mayor Metz began the discussion by informing the Committee that he provided the Committee with a copy of the contract with Midtown Green which has been finalized and will move to Council on June 5, 2008. The Contract will be for a 99-year lease between the City and Midtown Green, LLC. The contract will provide for 30 town-homes to be built on the Mercy site to include 3-bedroom units to be sold at \$140,000 and 4-bedroom units to be sold at \$160,000. Prices are based on the proforma that Midtown Green provided the City. The units are to be sold to individuals or families at incomes of 80% of AMI or below.

Deputy Mayor Metz asked Tom de Yampert, Manager, Housing, Finance and Rehabilitation to provide some input on the financing mechanisms. Mr. de Yampert said that the entire product would be targeted to households whose incomes are below 80% of Area Median Income ("AMI"). All of the mortgages of Habitat are done at 0% interest. Habitat has an agreement with Northern Trust Bank to buy all of the mortgages from Habitat. Northern Trust is bringing a huge community initiative to this transaction. Habitat has the ability to provide variable term mortgages 30-35 years, to discount the purchase price, to bring professional services to the transaction, and have long term customer care to ensure that buyers are successful, and have a buy back agreement with their homeowners.

Mr. de Yampert discussed the various financial vehicles offered by Habitat's affordable housing product and reviewed his matrix of affordability, which reflected the reduced Principal Taxes and Insurance that Habitat charges compared to a conventional lender who also charges interest. The chart reflected that a market rate mortgage would require monthly payments of \$1,199 compared to Habitat request for \$748 monthly payment.

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Councilmember Newton commented that he thought taxes and insurance were lower. Deputy Mayor Metz responded that he took the numbers from the proforma provided by Habitat.

Committee Vice Chair Polson asked about perpetual affordability and how is it different from a land trust. Mr. de Yampert responded that Habitat's mortgage will address the affordability and the 99-year lease will take the cost of the dirt out of the equation.

Committee Vice Chair Polson asked what happens if family A buys the house and stay there 5-years and sell, how will it maintain perpetual affordability? Ms. Barbara Inman responded that the lease does help in that they cannot just sell on the open market and that Habitat has the first right of refusal. Habitat has a formula whereby it buys the home back from the homeowner, during the first 5-years they get back all of the principal payments that they have made and none of the escrow, as those funds are expended. After 5-years, homeowners begin to share in the equity at the rate of 5% per year. If family B buys the home, the home is sold at an affordable rate at 0% interest.

Councilmember Newton asked what happens at the end of 30-years? Ms. Inman, responded that the homeowner is entitled to all of the equity but if the home is sold, it must be sold to a household under 80% of AMI, or Habitat could buy it back. Bruce Grimes, Director of Real Estate and Property Management responded that Midtown Green will be the LLC and the underlying lease will still be in place to require the household be 80% of below AMI.

Councilmember Newton wanted to know whether there would be a deed restriction. Ms. Inman responded that she does not like the idea of the property becoming rented and will amend the agreement to reflect that no rental will be allowed.

Councilmember Danner asked does equity sharing continue with the subsequent sale of the property? Ms. Inman responded that the 80% Rule still applies with no equity sharing. Mr. de Yampert also responded that the market would take care of it at that place and time. The market place will restrict it in the future to a Habitat transaction.

Deputy Mayor Metz thanked Ms. Inman and everyone involved in putting the project team together, and offered that July of 2009 is when construction is scheduled to begin, but may be advanced based on pre sales.

Committee Chair Curran thanked staff and said that she is happy that the project has been brought to a resolution, this is what she wants to see and that we do it right.

**Action taken:** No action Taken

**Update on the construction of Lakewood Apartments by Joshua Johnson, Director, Housing and Community Development**

Council Chair Curran requested Joshua Johnson, Director of Housing and Community Development to provide an update on the Lakewood Property.

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Mr. Johnson began his update by presenting that on May 1, 2008, City staff initiated a meeting with the Owner/Developer, Larry Newsom and the primary lender, Neighborhood Lending Partners (NLP), to discuss completion of the project. Several issues regarding past delays and potential delays were discussed. City staff requested a schedule of completion from Mr. Newsome for the 4 State Housing Initiative Partnership (“SHIP”) assisted units and the project as a whole.

Since the meeting, the project has moved towards completion and the west building has received a Temporary Certificate of Occupancy. Several tenants are ready to move in once the contractor completes the punch list of the west building. Progress on the remainder of the project will be closely monitored by City staff to ensure a timely completion.

**Action taken:** No action taken

**Update on the SPIFFS Site by Stephanie Lampe, Housing Development Coordinator and Rick MacAulay, Manager, Development Services**

Committee Chair Curran requested an update on the SPIFFS property.

Stephanie Lampe, Housing and Community Development responded that last night Housing and Development Services staff met with the Kenwood Leadership Group to get their input as to what they would like to see to be placed in a draft RFP for development of the SPIFFS site. The residential development potential on the northwest corner is 13 units and on the northeast corner is 9-units maximum. The neighborhood provided several ideas on what they would like to see incorporated in the RFP. They would prefer to see a payoff of the CDBG funding, therefore, the requirements on the residential units would be ruled by the workforce housing requirements.

The group suggested that preference be given to proposals provided for a mix of commercial and residential. Any proposal of 100% residential should contain at least 60% market rate. They would prefer that any proposal exceed architectural minimums that are currently set in our land development regulations, and limit the height of the structures to no more than two stories. The group was concerned with current market conditions for the construction of housing and suggested that the RFP be announced with the payoff but should not be conducted at this time to take enough time to allow the market to recover.

Vice Chair asked, would it work with a \$570,000 pay off would it be three or two? Ms. Lampe responded that it would be 13 units on the northwest corner and 9 units on the northeast corner.

Mr. MacAulay said that the City will have to draft the RFP with the City’s Legal Department to ensure that the RFP does not favor and eliminate other groups. The neighborhood group is not opposed to 100% residential, they would prefer a mixed use development. They would prefer to see office and residential space, and would prefer to see 60% workforce housing.

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Councilmember Danner asked what the requirements for the development would be if the CDBG funds were paid off. Ms. Lampe responded that there would not be any restrictions on the development and the only requirements would be that the land development regulations would apply.

Ms. Lampe responded that staff will incorporate the comments of the neighborhood association into the draft RFP. Deputy Mayor Metz indicated that staff will wait awhile or make it a longer response period before putting out an RFP for bid.

Councilmember Danner asked whether there are any time sensitive CDBG requirements. Ms. Lampe responded that no, as long as we show that we are moving forward with an RFP they will occasionally ask us for an update.

**Action Taken:** The Committee voted to ask staff to move forward with the preparation of an RFP for bid.

**Foreclosure Prevention Council Referral Item**

Chair Curran asked for a report on the Foreclosure Prevention Council Referral item. Councilmember Nurse introduced Rick Smith Director of a group called WARN, a group that works out of St. Petersburg on various issues. Mr. Smith discussed that they have worked with the Association of Community Organizations for Reform Now (“ACORN”). He indicated that ACORN received a \$7 million dollar grant to conduct the various studies and provide assistance.

Mr. Smith responded that Federal programs Neighborworks has about \$80 million in grant money to reach out to communities to keep a maximum number of people in their homes. He intends to show with his presentation the foreclosure situation in the City of St. Petersburg. He provided a handout for the Month ending April 30, 2008. The information in the Agenda reflected foreclosures that have occurred during the period January 1 through March 31, 2008.

Councilmember Newton asked how many of the foreclosures are because of the reset or ARMS. Mr. Smith said that what they are seeing at WARN is the end of the subprime process. The adjustable rate mortgages (“ARMs”) is not reflected in the current report. He discussed that the information on his handout was provided through the County Clerk’s Office.

Mr. Smith directed the Committee’s attention to the slide on page 3 which reflected foreclosure rates in St. Petersburg at 42%. Foreclosure is a problem that stretches over all income categories and demographics throughout the County and City. The highest cluster is in Central Oaks and Childs Park which rose from 40% to 92%. South of Lealman rose to 45%.

Councilmember Kennedy asked do statistics take into account how long people moved into the homes. Mr. Smith responded that most of the foreclosures happened on second mortgages. Sixty two percent of homes in foreclosures are second mortgages.

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Mr. Smith discussed the value of homes in foreclosure, which shows the normal value to be between \$75,000 to \$225,000.

Councilmember Nurse asked what does Mr. Smith think we can do? Mr. Smith responded that ACORN is in negotiations to implement agreements with Countrywide, City Bank, Lehman Brothers, GMAC, the purpose for the agreements is to establish best practices in the attempt to obtain loan modifications. Figures show that the preferred option for lenders pre March 2008, were payment plans. Now the industry has found that payment plans are not working and that 86% of the people who entered the plans defaulted within 6 months, therefore payment plans is not an option. The option is to modify the mortgages at a fixed rate for a 30-35 year period.

Since the Countrywide Agreement in March, they were doing two thousand modifications per month, since the agreement they are doing sixteen thousand modifications per month. Since January, hedge funds are buying foreclosed properties at sixty cents on the dollar.

WARN has experienced approximately 60 people coming to its offices within the last two weeks without any publicity. Sixty percent of the people are not in foreclosure proceedings at this time, they know they are heading in that direction. The problem is getting the word out to those who are subject to foreclosure.

There is a great need for the City to reach out to people through providing information in their utility bills, community groups, or other public service venues. He also discussed that there is a lack of qualified housing counselors, which is most critical. Lenders are willing to negotiate loan modifications, but people do not have their ability to call their lenders because they cannot get through to their lenders.

City Bank should announce its agreement next week, and GMAC soon thereafter. This will be a problem that will last through 2012 because ARMS will continue to reset late 2008 through 2012.

Councilmember Nurse responded that the bottom line is that thousands of people who are not sophisticated to go back to the bank to negotiate. He said that we need a number of folks who can process the modifications in a short time or people will lose their houses. He referred that St. Petersburg Neighborhood Housing Services is one of those agencies that may provide assistance.

Councilmember Danner asked is it efficient to have town meetings in the target areas or citywide to get the information out in a town meeting type of environment. Mr. de Yampert said that it is exactly what the City needs to do. Funding additional counselors, having the information announced on Channel 35, public service announcements, and providing the information to our lenders so that they may get information out to those affected will help address the issue of foreclosures. By the time individuals enter foreclosure, they are at least 90-days past due.

Chair Curran suggested that we should do something like what was done by West Palm Beach (some type of Fair), to show that we are here to help them. Getting out all of the servicers at one location on one day, would be of great assistance.

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Vice Chair Polson said that when we begin to put ideas together to set up the events, use the example of what was done with the homeless. Be prepared to not have 5 counselors but at least 100 so that everyone can be served. You do not want to be insufficiently staffed. This should include the banks and other entities that provide this service.

Mr. Smith discussed that one thing that is important is to make sure that people bring the necessary paperwork when they attend the event.

Deputy Mayor Metz responded that we will go ahead and work on it and will come back to the next meeting with funding recommendations.

Chair Curran requested that Mr. Smith provide a copy of his PowerPoint Presentation.

**Action Taken:** No action taken.

**Follow-up (information only)**

Provide a list of projects that are under development, or scheduled for redevelopment.

**Next Meeting:**

Next meeting – The next meeting of the Housing Services Committee is scheduled for Thursday, June 26, 2008.

**Topics:**

Topics will be discussed with the Chair of the Committee as they become available.