

The Council of the Town of Culpeper convened in special session at 6:03 p.m. with Mayor Pranas A. Rimeikis presiding. Present: Calvin L. Coleman, F. Steve Jenkins, Michael T. Olinger, James C. Risner, Christopher H. Snider, and William M. Yowell Council Members; Jeffrey B. Muzzy, Town Manager; Kimberly D. Allen, Town Clerk and Bryan Hill, Planner II; Mr. Chris Ward, Planner, K.W. Poore & Associates. Absent: Council Members Duke M. duFrane and Robert M. Ryan.

NEW BUSINESS

R/R Re: Resolution Re: Neighborhood Stabilization Program

Town Manager Muzzy presented the report and recommendation stating the Virginia Neighborhood Stabilization Program (NSP) was authorized under the *Housing and Economic Recovery Act of 2008*. The purpose of the program is to assist in the redevelopment of abandoned and foreclosed homes. The Town of Culpeper has received a planning grant under the NSP to identify neighborhoods that have been impacted by high foreclosure rates and potential income-eligible homebuyers to purchase these properties. The U.S. Congress passed this legislation to prevent the problems associated with high vacancy rates such as crime and lack of maintenance that can lead to the destabilization of neighborhoods.

The planning project will lead to an application from the Town of Culpeper to the Virginia Department of Housing and Community Development (DHCD) for project implementation funds. If awarded NSP funds, the Town will implement the project through the following actions:

1. Acquire foreclosed homes in targeted neighborhoods at a minimum 1% discount below market value.
2. Rehabilitate properties, if needed, to bring them up to DHCD Housing Quality Standards.
3. Sell the properties to qualified homebuyers that have completed Housing and Urban Development (HUD) certified housing counseling and do not exceed 120% of Area Median Income for the Town of Culpeper. Properties will be sold at a 'break-even' price determined by the acquisition and rehabilitation costs.

Potential homebuyers of acquired properties must meet two eligibility requirements:

1. Completion of a HUD-certified housing counseling program. The Town of Culpeper has partnered with the Culpeper Community Development Corporation (CCDC) to provide housing counseling to interested and eligible buyers.
2. Have household earnings less than 120% of the area median income for Culpeper County as determined by HUD.

Town staff has already identified the neighborhoods within town limits that have the highest rates of foreclosure. The neighborhoods include Meadows of Culpeper, Lakeview, and Highpoint subdivisions. The timeline for the competitive portion of the grant program is as follows:

July 1, 2009 - Planning completion/submission of application for implementation funding

Mid-July 2009 – Governor is expected to announce grant recipients.

August 2009 – Contract execution with DHCD, project kick-off

The intent is to apply for NSP grant funds in the amount of **\$1,947,577** for the *Culpeper Neighborhood Stabilization Program* on or before July 1, 2009 to assist in the acquisition, rehabilitation, and resale of eight (8) foreclosed residential properties in the Meadows of Culpeper, Lakeview, and Highpoint neighborhoods, which will benefit an estimated eight (8) households totaling thirty-two (32) low-to-moderate-to-middle income (LMMI) persons

Council committed \$10,000 to supplement the planning grant study. There is no match required for this project from the Town, however in-kind services such as staff time and other appropriate services may be offered during the course of this competitive grant (if funded).

It is recommended that Council adopt and authorize the mayor and clerk to execute a resolution of support endorsing submission of the NSP competitive grant application to the Virginia Department of Housing and Community Development, committing appropriate in-kind services which will be considered the local match, and authorizing the Town Manager to sign and submit all appropriate documents for Culpeper's 2009 NSP grant application for the Meadows of Culpeper, Lakeview, and Highpoint neighborhoods totaling **\$1,947,577** in grant funds and **\$40,000** in HOME funds supplied by the CCDC for a total project cost of **\$1,987,577**, and to provide such additional information as may be required by the Department of Housing and Community Development.

Council Member Jenkins questioned if staff had consulted Town residents regarding the issue. Planner Hill responded a meeting was held on June 15 for the public and local realtors; upon funding, meetings will be held in targeted neighborhoods.

Council Member Jenkins questioned feedback from other communities. The management consultant for the Town, Mr. Chris Ward, replied Prince William County and Fairfax County were entitlement communities and recently received direct allocations from the program; however, the Town would qualify on the competitive side of the program rather than as a community receiving direct allocations. He noted the Town was a non-entitlement community as well.

Council Member Olinger questioned the concept of the program. Mr. Ward responded with the following comments:

- The program was initiated in response to the soft housing market and increased foreclosures;
- The premise was vacant homes encouraged vandalism, graffiti, and crime thereby destabilizing neighborhoods;
- Hiring contractors to rehabilitate houses and realtors to sell them may spur the local private economy.

Vice Mayor Yowell and Council Member Olinger questioned financing issues regarding the program. Mr. Ward responded with the following:

- Appraisals are required as part of the process;
- The legislation initially required local governments purchase foreclosed homes at 15% discount below marked value; however, it was changed to 1% to prevent depressing the market further;
- A qualified buyer who purchases a house from the Town will reimburse the grant funding used by the Town to acquire and rehabilitate the property;
- Assistance for the down payment and closing costs may be secured in a lien which must be repaid if the homeowner resells the house;
- The Town would hold the lien which would be held for grant money rather than Town funds.

Vice Mayor Yowell stated vacant properties are often unsellable without rehabilitation; therefore, it was possible the Town could not recoup money. He questioned the process if the fair market value was less than the cost to acquire and rehabilitation the house. Mr. Ward replied the difference would be included in a lien.

Council Member Coleman the process for hiring local contractors and realtors. Planner Hill responded the Town would follow procurement laws and issue RFPs similar to those used in the Commerce Hill project.

Council Member Risner stated he did not support expanding government; however, federal funds were available to bring four to eight homes back on the market, bring new homeowners to the area, stabilize neighborhoods, and possibly help local businesses. Mr. Ward noted the Town may return federal funds to the state if it decides not to use them.

Council Member Coleman stated he would support the recommendation with the stipulation that local realtors and contractors be used when possible and an effort is made to limit staff time spent on the project.

Council Member Jenkins stated he would not support the recommendation because there were too many unknown variables.

Council Member Snider stated if the economy worsens, residents may believe the Town missed a chance to help neighborhoods and stimulate the local economy.

Council Member Risner moved, Council Member Coleman seconded, to adopt and authorize the mayor and clerk to execute a resolution of support endorsing submission of the NSP competitive grant application to the Virginia Department of Housing and Community Development. The motion carried by voice vote: Ayes:- Coleman, Olinger, Rimeikis, Risner, Snider, Yowell (6); Nays: Jenkins (1); Absent: duFrane, Ryan (2).

ADJOURNMENT

Council adjourned at 6:36 p.m.

Clerk

Mayor