THE CITY OF KENT, OHIO
COMMUNITY DEVELOPMENT COMMITTEE
WED., APRIL 7, 2010

This meeting of the Community Development Committee of Kent City Council was called to order on Wed., April 7, 2010 at 7:50 p.m. by Erik Valenta, Chair.

PRESENT: **MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. KUHAR, MS. SHAFFER, MR. VALENTA, MS. WALLACH, AND MR. WILSON**

ALSO PRESENT: **J. FIALA, MAYOR & PRESIDENT OF COUNCIL; D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; L. COPLEY, CLERK OF COUNCIL; D. SMITH, ECON. DEV. DIRECTOR; G. LOCKE, DIR. OF COMM. DEV.; AND B. SUSEL, GRANT ADMINISTRATOR**

ABSENT: **MR. TURNER**

Chair Valenta said the first item on the agenda dealt with the Semi-Annual EDA RLF certification. **Dave Ruller, City Manager,** explained this semi-annual certification is a procedural matter so they can report back to the State that the RLF Committee and Kent City Council has certified the activities of the use of the RLF Funds. **Dan Smith, Economic Development Director,** said they require certification by resolution twice a year. He said they want the City to say they are working in accordance with their rules. He said it is housekeeping, and used to be done on an annual basis.

MOTION TO APPROVE THE SEMI-ANNUAL EDA RLF CERTIFICATION.
Motion made by Mr. Wilson, seconded by Mr. Amrhein, and carried by a voice vote of 7-0-1, with Mr. Valenta abstaining.

Chair Valenta said the next issue deals with the Down payment Loan Conversions & Housing Rehab Administration. Mr. Ruller said this deals with their CDBG program, adding that **Gary Locke, Comm. Dev. Director and Bridget Susel, Plans Administrator** felt there were some problems with participation because of the way the program was set up. He said they were present to make a recommendation.

Mr. Locke said the Down payment Assistance Program began in the 1990s, which promoted home ownership for those people with low and moderate incomes. He said the loans were deferred for a few years, and payments then began, based on the loan amounts and HUD-mandated caps. Ms. Susel said they have 13 loans currently in the loan portfolio, with seven in the arrears. She said she has been dealing with the homeowners, adding that one has been trying to sell the house for eight months. She said she has received letters from two others that cannot pay. She said because of problems with the economy and the housing market, people are struggling to make their payments. She said they have a mortgage/note on the properties, and can call in the note, but that is not what they want to do. She said with the Rehab loan program, they do not pay until sold or the title is transferred. She said they would like to ask Council to convert those loans to deferred loans. She said the old mortgages would be negated.

Ms. Wallach asked what happens if it is transferred from a parent to a child, and Ms. Susel said it would be due when the name transfers. Ms. Wallach asked if the original owner is responsible, and Ms. Susel said that was correct. Ms. Wallach asked what happens if they default, and Ms. Susel said if a home is in default, there is nothing they can do. She said this way would give them a better chance of getting their money. Ms. Susel said they are not getting payments on seven of the loans, and many of the people want to stay in their homes. She said they could take away one more bill, and hope it helps them. She said they do get a lot of the loans satisfied, and if they add undue pressure in terms of another payment, a lot of people could not do it, increasing their odds of receiving no money.

Ms. Shaffer asked if they can recoup the money from the bank if a house goes in foreclosure, and Ms. Susel said the mortgages are stacked. She said they are always behind the first mortgage, and their odds of getting paid are slim.

Mr. Silver said when a house goes up for sheriff's sale, it is listed at 66% of the appraised value. He said when they have a loan at the 80% level, they are in line to get paid if enough money is generated. He said while no one knows if that will happen, it probably will not happen.

Ms. Shaffer asked if they are doing any more loans, and Ms. Susel said the account is still active. She said funds are committed to that use. Ms. Susel said they are not recommending any new programs at this time. She said they could put people in jeopardy, as the housing values are upside down. She said it would not benefit the low income. Ms. Susel said they want to keep people in their homes.

Mr. Kuhar asked if they would be deferring all of the payments, and Ms. Susel said they would offer it to all of them. She said that some pay monthly, and will have that option also, to be fair. Mr. Kuhar questioned why someone would not do that, and Ms. Susel said they may be able to pay it and do not want a second mortgage. She said the down payment monthly payments are not that high. She said of the three she has dealt with, two have lost employment, and one has a health issue. Mr. Kuhar asked if everything is deferred, including interest, and Ms. Susel said that some had 1% interest, while others had no interest. She said she did a random sampling, and found the ones after 2000 had an interest rate of 2%. She said if they owed interest before, they still will owe interest. Mr. Kuhar asked how much is out, and Ms. Susel said it is between $80,000 to $90,000. She said the whole portfolio is $132,000, but they are getting some repayment. Mr. Kuhar asked if this is better than a five-year deferment, and Ms. Susel said the issue is loan service. She said she is a "one-man band", and they do not have a loan officer. She said they do not have the ability to flag certain loans. She said the loans are interest bearing, and this would defer everything until the house sells.

Mr. Wilson said he is trying to get this right. He noted that some are being charged 1%, while others are at 0%. Ms. Susel said she only pulled three of the thirteen files. Mr. Wilson asked if they allow the deferral to all thirteen, if the 1% interest will stop, and Ms. Susel said the interest is only for ten years, and all of them are older than ten years. Mr. Wilson said he did not hear her say they had a ten-year cap.

Mr. Locke said they were originally set up with 1% interest, with two year deferrals and no payments. He said the loan was amortized over ten years, paid over eight years. He said they went down to 0% interest around 2000 or 2002. He said they talked about the way the program was set up, and the mandatory down payment loan and rehab loan. He said they were putting people into a negative equity situation, and agreed, at that point, to do a down payment loan by itself. He said that never took off, and the program has been dormant as they have fought against the market for the last ten years.

Mr. Wilson asked if the interest will stop, and Mr. Locke said it would stop. He said they are trying to get what is owed. He said if they take the homes into foreclosure, they may drive the people into bankruptcy. Mr. Locke said this was their best chance, without monthly servicing. He said it should help their citizens as well.

Mr. Kuhar asked if Ms. Susel felt the homes have gained enough equity, and Ms. Susel said on the rehab aspect, many have not. She said a woman called the previous week, was paying $1400 in insurance, and had a huge hole in her roof. She said the woman had no equity, and the value was less than it was four years earlier. She said they are dealing with household incomes at 80% below. She said people are not buying homes in the upper ends. She said these people are now struggling. Mr. Kuhar commented they were lucky to have an appraisal equal to ten years earlier, and Ms. Susel agreed, adding that many of the mortgages are upside down. She said the appraisals are less than what they owe, adding they cannot always help them. Ms. Susel said if they take some of the pressure off, it could help people keep their homes. She said if they keep it, there is a great chance of getting the loans repaid.

Ms. Susel said there is one more issue for discussion. She said the City has been using NDS for their housing rehab services. She said they have not done an RFP process. Ms. Susel said in September, they put out an RFP RFQ, and had four proposals. She said they have decided that Family & Community Services would be their housing rehab organization.

Ms. Susel said there were four reasons. She said they had the best pricing for the services offered. She

said they also addressed all of the requirements. Ms. Susel said they have a lot of federal requirements, and Family & Community Services had all of the certifications. She said they will also provide a local office. Ms. Susel said that NDS is based in Ravenna, and Family & Community Services said they would have a rehab office in their building on Gougler Avenue. She said it is challenging when dealing with the elderly, and coordinating NDS who have to come in from Ravenna. She said they will have a local footprint, which is very exciting.

Ms. Susel said they own many properties, and the City funds some of the transitional housing/homeless shelters. She said they have extensive experience in property management. Ms. Susel said their Executive Director, Mark Frisone, was present. She said she will be involved this year, to be sure it is running smoothly. She said they will have a three-year contract. Ms. Susel said she would take their comments and/or questions at this time.

Mr. Wilson suggested they finish up the first issue, and Chair Valenta agreed. He called for audience comments, and there were none.

MOTION TO APPROVE THE DOWN PAYMENT LOAN GUIDELINES.
Motion made by Mr. Wilson, seconded by Mr. Ferrara, and carried by a voice vote of 7-0-1, with Mr. Valenta abstaining.

It was noted that no action was necessary, and the award of the contract with Family & Community Services was for informational purposes.

Chair Valenta said the last item on their agenda dealt with Clean Ohio Grant funds.

Mr. Ruller said they would like to apply for Clean Ohio grant funds as they are working with a local business who would like to be part of the downtown project. He said they need an exit strategy from their current building, and part of the process is to be sure it is environmentally okay. He said they have done some initial work in Phase I and are ready to move to Phase II. He said they were briefed previously about the grant dollars, and Mr. Smith is seeking authorization to work with the corporate client.

Mr. Smith said this grant is administered through the Ohio Department of Development. He said they do not have a tremendous amount of industrial land in Kent. He said some of the Lake Street sites were traditionally manufacturing, but have transitioned over the years. He said while some were heavy manufacturing site, they are now more white collar R&D. He said they are trying to work with one land owner, who needs to do Phase II, which can be funded 100%. He said it would assist AMETEK, who has already done Phase I. He said a municipality has to request the use of these monies. Mr. Smith said there is no additional cost, adding that up to $300,000 is fully funded. He said the process is a forty-five day public notification period. He said approval can take up to nine months for approval. He said once Phase II is completed, they can reapply for remediation dollars as well.

Mr. Smith said they are asking for the emergency clause, as they need to get this advertised, with another nine to twelve months to complete the work. He said he would like to see reuse of this land, adding it is a much better fit.

Ms. Shaffer asked if this is clean up or analysis, and Mr. Smith said Phase II is an in-depth analysis. Ms. Shaffer asked who pays for remediation, and Mr. Smith said they can apply for up to $750,000 with matching funds. He said the property has to be out of title of the current owner. He said he could better answer that after the Phase II is completed.

There were no further questions, nor audience comment at this time.

MOTION TO APPROVE THE USE OF CLEAN OHIO FUNDS, WITH THE EMERGENCY CLAUSE.
Motion made by Mr. Ferrara, seconded by Mr. Wilson, and carried by a voice vote of 7-0-1, with Mr. Valenta abstaining.

Hearing no further business before this Committee, Chair Valenta adjourned this meeting at 8:14 p.m.

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Linda M. Copley, Clerk of Council

ACTION RECOMMENDED:

1) TO AUTHORIZE THE TRANSFER OF THE FACADE PROGRAM FUNDS

2) TO AUTHORIZE THE AMENDMENT TO THE DOWN PAYMENT ASSISTANCE LOAN GUIDELINES

3) TO AUTHORIZE APPLICATION FOR THE CLEAN OHIO GRANT FUNDS, WITH THE EMERGENCY CLAUSE.