

Topic: Incentive Zoning
Resource Type: Regulations
State: North Dakota
Jurisdiction Type: Municipal
Municipality: City of Fargo
Year (adopted, written, etc.): 2003
Community Type - applicable to: Urban; Suburban
Title: City of Fargo Neighborhood Revitalization Initiative
Document Last Updated in Database: August 28, 2016

Abstract

The Neighborhood Revitalization Program (NRI) is an effort in Fargo to encourage growth in the city center. The program offers economic incentives for residents to move into older single-family homes in the downtown area instead of developing on the City's fringe. The incentives to develop an older home include low interest loans, child care assistance and gap financing (Stein 2003)

Resource

Neighborhood Revitalization Initiative (NRI) PURCHASE REHAB PROGRAM

Program Description Encourage revitalization of older neighborhoods by providing a low interest loan for significant home improvements on newly purchased eligible properties. Purchase Rehab projects may also qualify for monthly child-care vouchers.

General Eligibility Newly purchased single family residential units located in designated neighborhoods. The projects must involve the conversion of a property from rental to owner-occupancy or the addition of bedroom/bathroom/ kitchen areas, etc. (subject to design review). To be eligible, properties must have a minimum of three legal bedrooms after the proposed rehab work is completed.

Low interest loan - Any homeowner that purchases an eligible property (as defined above) and is able to obtain first mortgage financing is eligible for the low interest housing rehab financing.

Child Care assistance is only available in conjunction with approved NRI Purchase Rehab projects.

Role of Assistance

City incentives should be used in conjunction with private sector financing to maximize the impact of the investment of public dollars.

Low interest Loan – Borrower must work with a lender to secure financing to purchase the property (1st mortgage).

City funds will be used to finance the rehab work that is needed for the property, up to the maximums defined below (2nd mortgage). This second mortgage is repayable and will be financed over 10 or 15 years at a fixed 4% interest rate.

Child Care Assistance – Child care vouchers can be provided to families that pay a licensed child care provider in excess of \$200 per month for child care expenses.

Use of Proceeds

To be eligible, a proposed rehab project would need to bring the structure up to code as a single unit dwelling, remove elements that made the home a rental property (if applicable), and make needed improvements to the exterior of the building.

The City has identified the following priorities for rehab work. The proposed project must address the applicable items in the following order: (1) Health and Safety (building code issues), (2) Neighborhood Impacts (exterior improvements) and (3) Convenience and Cosmetics (interior finishes, landscaping, etc.).

Work to be financed with City funds must be completed by a licensed contractor. However, upon approval the City will allow “sweat equity” for up to 20% of the total rehab cost.

The City’s building inspections/planning department will monitor to assure that the work is done and that its value approximates the amount of the loan. Work must be completed within four months of receiving project approval.

Proceeds of the *Child Care assistance* can be used to offset child care costs that are incurred by a household that has undertaken an approved NRI Purchase Rehab project. Assistance will be provided in the form of a monthly voucher. Vouchers must be used to offset the cost of child care that is provided by a licensed operator (as defined by the County). Proof of payment is required prior to issuance of the voucher.

<u>Ineligible Uses</u>	<i>Low interest loan.</i> Luxury items, such as swimming pools and hot tubs are not permitted. Appliances are not permitted. New home construction and refinancing of existing loans are not permitted.
<u>Target Area</u>	<i>Horace Mann and part of the Roosevelt Neighborhood</i> (north - 14 th Avenue North, west - University, south – Main Avenue, east – River) and <i>Hawthorne Neighborhood</i> (north – Main Avenue, west – University Drive, south – 13 th Avenue South, east – River). See attached map.
<u>Income Limit</u>	There is no maximum income ceiling for a borrower to be eligible.
<u>Asset Limit</u>	There is no asset limit for the Purchase Rehab or Child Care Assistance.
<u>Age of Property</u>	There is no restriction based on the age of the property.
<u>Owner Occupancy</u>	Owner-occupants are eligible for this program (new purchases). Investor-owned purchase rehab projects will be allowed (ex. contractor purchases home, completes rehab, sells home to buyer who is then eligible for all incentives associated with the program).
<u>Tax-exempt property</u>	Property exempt from property tax is not eligible.
<u>Market Value Limit</u>	Properties must have an assessed value of less than \$115,000 at the time of purchase.
<u>Loan-to-Value Limit</u>	Projects will not exceed 110 percent cumulative LTV, based on future (after-rehab) value of the property.
<u>Borrower's Credit</u>	The lending institutions are solely responsible for underwriting and lending criteria.
<u>Minimum Assistance</u>	<i>Low interest loan</i> - City's second mortgage cannot be less than \$10,000 per property.
<u>Maximum Assistance</u>	<i>Low interest loan</i> - City's mortgage maximum is \$40,000 per property or 50 percent of the "pre-rehab" value of the property (as determined by the purchase price). Maximum rehab mortgage will also be dependent on relevant acquisition maximums (associated with first mortgage financing) and the cumulative loan-to-value ratio. <i>Child Care Assistance</i> – The maximum voucher issued to an eligible family for child care costs cannot exceed \$200 per month for a total of three years.

Fees and Charges Normal loan processing fees will apply – no additional processing fees (City or lender) will be levied.

Application Process Applicants will pre-apply with the City (City Planning Department) and receive a certificate of eligibility to participate in the program, which can be taken to a participating lender. Participating lending institutions will then underwrite the loans as per their normal procedures. Both the City and the lending institution will need to agree on the requisite amount of rehabilitation work needed for the property. The approved financing package is then forwarded to the City for final approval of the subsidy(s).

Program Participants The following banks participate in this program: State Bank of Fargo, Gate City Bank, Alerus Financial, Bremer Bank and Union State Bank.

Other Restrictions The borrower must be current on property tax payments and in good standing with the City.

Marketing The City provides information on its website and through brochures. Lending institutions may do additional marketing.

Current Status Applications for the NRI Purchase Rehab Program are reviewed on a case-by-case basis.

