

# TURN PROGRAM REPORT 2015-2018

---

COMMUNITY DEVELOPMENT DEPARTMENT – LENDING DIVISION

MARCH 2019

# The Transforming Urban Residential Neighborhoods (“TURN”) Program

- Began in August 2015
- Is funded by \$4M in General Obligation Bonds approved by the citizens of Winston-Salem in November 2014
- Makes financial assistance available to eligible property owners in designated Program Target Areas for a three year period

**Primary objective - rehabilitate housing at a cost affordable to low-and-moderate-income households in transitional urban residential areas.**



## **The program:**

- Was created in response to citizen concerns;
- Targets residential transformation;
- Responds to the impacts of declining urban residential areas; and
- Provides financial assistance to rehabilitate single-family, owner-occupied and investor-owned (up to 4 units) properties

## **Additional objectives include:**

- Conserving the City's existing housing stock;
- Correcting conditions detrimental to the public health, safety and general welfare;
- Arresting deterioration of property and neighborhoods;
- Encouraging and leveraging private investment to assist in the revitalization of these deteriorating neighborhoods; and
- Maximizing the target impact of improvement.

## Eligible Areas:

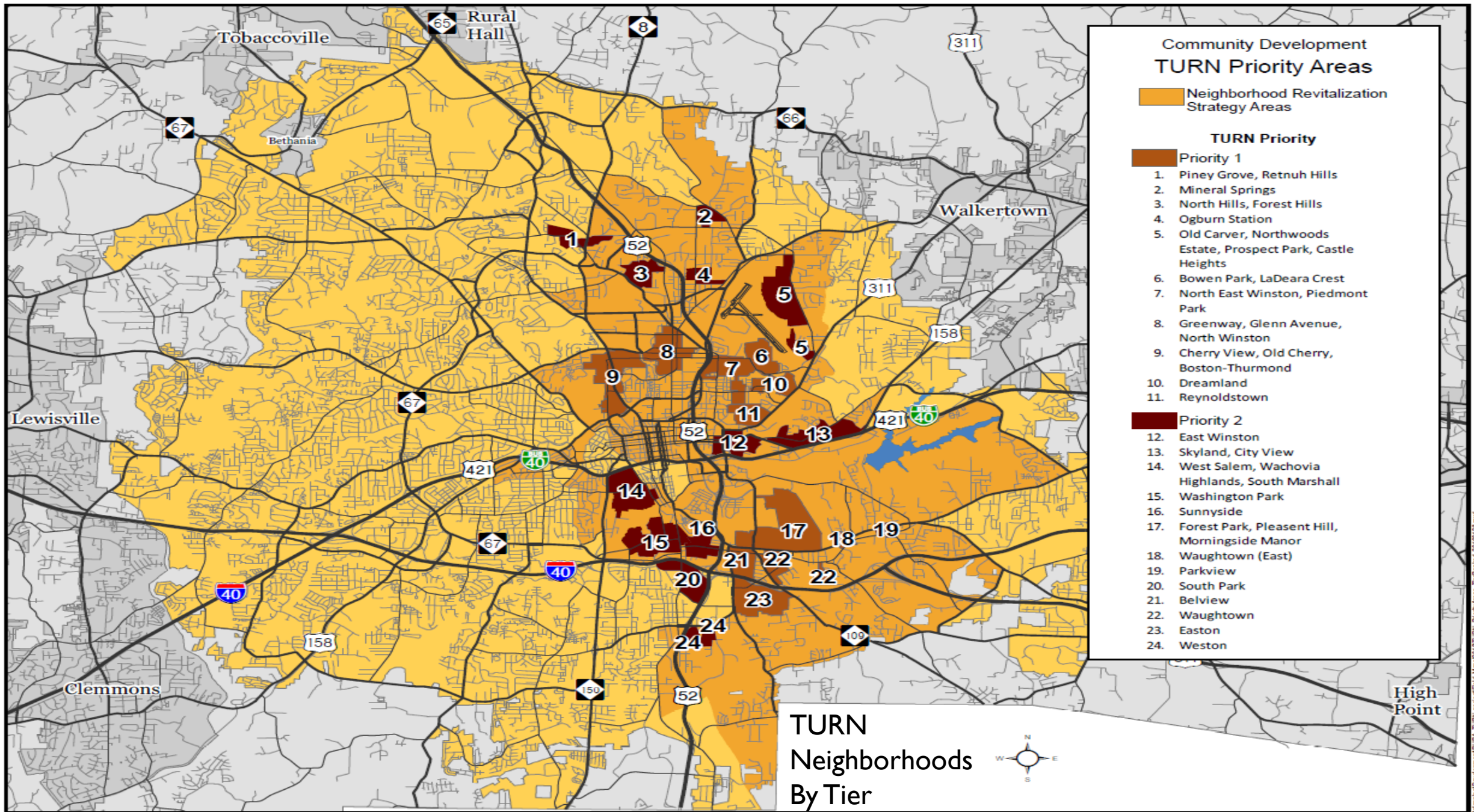
- Area identified as having highest levels of blight based on unfit housing code violations;
- Cluster patterns of violations in these areas were used to prioritize neighborhoods into two tiers – Tier 1 and Tier 2;
- Tier 1 areas have the highest number of violations; and
- Tier 1 areas were further delineated based on the presence of a known active neighborhood association or community development corporation in the area.



## **Breakdown of Tier 1 and Tier 2:**

The program started with five (5) areas – 4 Tier 1 areas and 1 in Tier 2

<b>Ward</b>	<b>Tier</b>	<b>Neighborhood(s)</b>
<b>Northeast</b>	<b>1</b>	<b>Greenway, Glenn Ave., North Winston</b>
<b>North</b>	<b>1</b>	<b>Cherry View, Old Cherry, Boston-Thurmond</b>
<b>East</b>	<b>1</b>	<b>Dreamland</b>
<b>Southeast</b>	<b>1</b>	<b>Belview</b>
<b>South</b>	<b>2</b>	<b>Washington Park</b>



## Eligible Properties :

Must be sound and suitable for rehabilitation;

- For example, it cannot be eligible for demolition (cost of repair exceeds sixty-five percent (65%) of the as-is property value and/or the cost of rehabilitation would exceed ninety-five percent (95%) of the fair market);
- Cannot have received prior rehabilitation assistance;
- Cannot be involved in bankruptcy or foreclosure proceedings; and
- Must undergo an Environment Review to ensue the absence of hazardous substances.
  - Reviews can take 14 to 30 days to complete





## Types of Assistance:

- Depending on income, homeowners may be eligible for:
  - Owner-Occupants
    - Deferred Payment Loan
    - Direct Loan
    - Forgivable Loan
- The loan is amortized over 20 years, and the home must remain as the owner's primary residence, with title remaining in the owner's name for five (5) years. One-fifth of the loan is forgiven each of the 5 years.

## **Types of Assistance:**

- Investor/Owners may be eligible for:
  - Direct Loan
  - Forgivable Loan
- Investor/Owners must—
  - lease to families with incomes at or below 80% of AMI
  - limit rent increases to not more than 3% annually for 7 years

Investor/owners may also have 50% of their loan balance forgiven in 5 years

## **Amount of Assistance:**

Assistance is limited to the lesser of:

- \$45,000 per dwelling unit;
- Total costs of rehabilitation; or
- Cannot exceed ninety-five percent (95%) of the after-rehab appraised value; and
- Pre-1978 lead-positive property costs shall be included in the program maximum of \$45,000 unless Lead Grant Funds are available

# Program Results to Date:

# TURN LOANS

2015-2018

### Loan Amounts by Ward

North - \$320,304.79  
Avg. Loan Amount: ≈ \$32,030.48

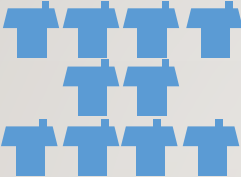
Northeast - \$35,626.16  
Avg. Loan Amount: ≈ \$35,626.16

East - \$275,428.00  
Avg. Loan Amount: ≈ \$30,603.11

Southeast - \$600,801.00  
Avg. Loan Amount: ≈ \$31,621.11

South - \$172,921.00  
Avg. Loan Amount: ≈ \$43,230.25

## North

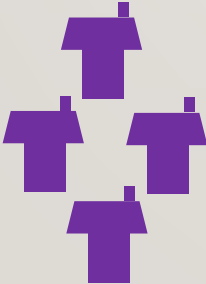


## Northeast

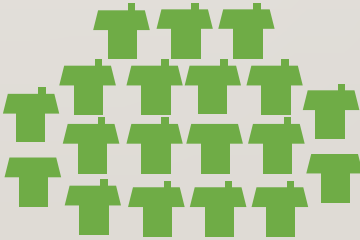


Total number of TURN loans 2015-2018:  
**43**  
Total loan funds spent from 2015-2018:  
**\$1,521,504**  
Average TURN loan amount from 2015-2018:  
**≈ \$35,384**

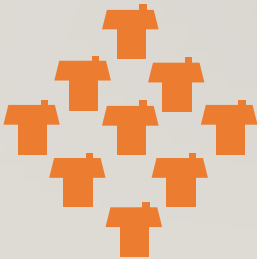
## South




## Southeast



## East



 = one loan



## Impediments to Program Implementation:

- **Coordinating Neighborhood Agencies (“CNAs”)**
- **Staffing**
- **Program Guidelines**
- **Financial Assistance Cap**

## Collaboration with Community-Based Nonprofits - CNAs:

- Role
  - market program
  - encourage residents to apply
  - submit applications to CDD on their behalf
- CNA Benefit
  - receive up to 3% of \$45,000 or amount borrowed per approved case
  - funds for benefit and beautification of the neighborhood
- Result
  - no applications facilitated by CNAs
  - some CNAs received a stipend for approved loans in their targeted area

## Staffing:

- 1<sup>st</sup> Loan Officer hired in August 2015;
  - **BUT**, became permanent **Rehabilitation** Loan Officer in March 2016;
- TURN applications began March 2016;
- TURN Rehab Construction Advisor hired February 2018;
- Between August 2015 and November 2017 - 5 different TURN Loan Officers; and
- **Currently 2 dedicated staff members for 1st time in program history –**  
Loan Officer and Construction Advisor

## Program Guidelines:

- Modeled after the City's standard rehab guidelines:
  - Minimum House Code,
  - Residential Property Rehabilitation Standards, and
  - Community Development General Specifications for Rehabilitation
- Address health and safety deficits, deterioration of properties within neighborhoods
- Focus on full rehabs to improve functionality, appearance and value of homes

### ***BUT***

- Confusion surrounding most appropriate guidelines to apply
  - MHC?
  - RPRS?
  - Arrest overall property and neighborhood deterioration?
  - Encourage and leverage private investment?





## Financial Assistance Cap:

- Based on previous 5-year average of rehab costs - \$25,000
  - before housing market recovery and rising construction costs
  - Cost estimates now trending \$30,000+ range, with many requiring program maximum of \$45,000
- Evidence costs will continue to escalate
  - more homes with greater levels of deferred maintenance
  - older homeowners lacking resources to care for their homes
  - at least 2 homeowners whose homes have deteriorated to point where no longer habitable, and cost to “repair” exceeds program cap by nearly \$45,000.

## **Opportunities for the Program's Future:**

Strategic opportunities that can drive achievement of the original program goals and are staff priorities in FY 19/20:

- ***Modify existing program guidelines***
- ***Increase the financial assistance cap***
- ***Re-engage community collaboration***

## Modify existing program guidelines:

- To more readily facilitate original program objectives - funding “full” rehabs vs. Minimum Housing Code repairs, and
- Simplify loan approval process, permitting a tiered, staff-level approval process to accelerate approvals which currently occur only once per month when the Loan Committee meets—
  - Community Development Director – loans up to \$20,000
  - City Manager – loans from \$20,001 to \$30,000
  - Loan Committee – loans above \$30,000

## **Increase the financial assistance cap:**

- Rising construction costs and extensive nature of rehabs increasingly hit and sometimes exceed the \$45,000 program loan maximum
- Since unlikely costs will decrease, Staff recommends increasing the program cap to \$65,000, which allows:
  - More assistance for more homeowners;
  - Increases the property values;
  - Generates/leverages more neighborhood investment; and
  - Improves neighborhood appearance



## Re-engage community collaboration:

- Encourage local Coordinating Neighborhood Agencies (CNA) to be boots on-the-ground and spread the word about TURN;
- CD provide training and materials to Council-designated CNAs;
  - CNAs can utilize training and materials to generate homeowner applications; and
  - Increased resident awareness can lead to approved rehabs
- The Neighborhood Services division of CD is rolling out C.O.R.E. (Collaborative Outreach Revitalization and Engagement) during the 1st quarter of 2019—
  - Will serve as an opportunity to re-engage with CNAs.
  - TURN staff will seek CNA partnerships to generate more TURN applications