

Transforming Urban Residential Neighborhoods (TURN) Program Report 2015 - 2018

Program Overview

Purpose

The Transforming Urban Residential Neighborhoods (“TURN”) program began in August 2015, funded by \$4M in General Obligation Bonds approved by the citizens of Winston-Salem in November 2014. The Program is designed to make housing rehabilitation financial assistance available to eligible property owners in designated Program Target Areas for a three year period.

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

Objective and Intent

The primary objective of TURN is to rehabilitate housing at a cost affordable to low-and-moderate-income households in transitional urban residential areas.

Additional objectives include:

- Conserving the City's existing housing stock;
- Correcting conditions which are 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.

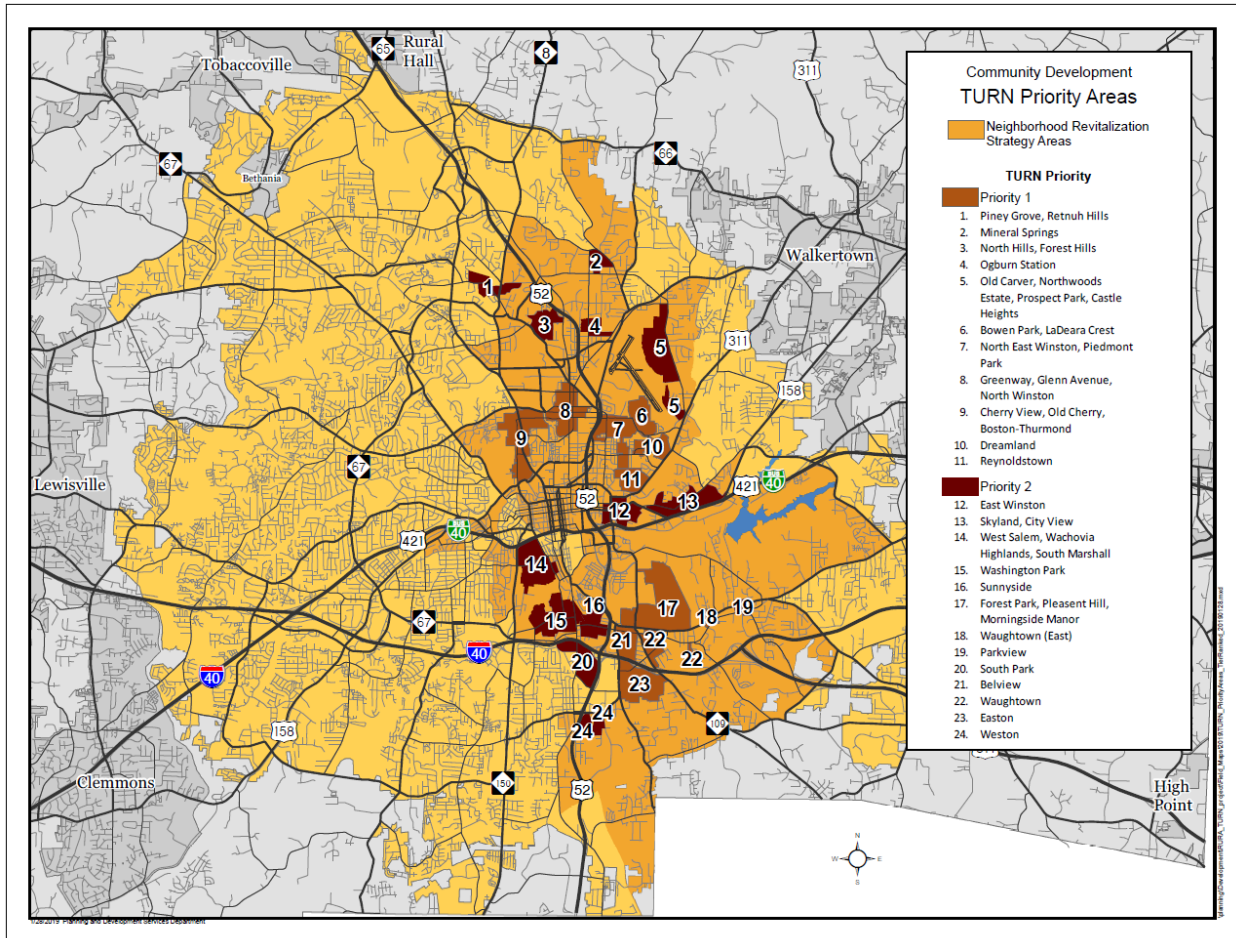
Eligible Areas and Properties

The property to be improved must be located in a designated TURN rehabilitation target area approved by the Winston-Salem City Council. These areas were identified as having the highest levels of blight based on unfit housing code violations. Cluster patterns of violations in these areas were then used to prioritize neighborhoods into two tiers—Tier 1 and Tier 2—with Tier 1 areas having the highest number of violations. In addition, Tier 1 areas were further delineated based on the presence of a known active neighborhood association or community development corporation in the area.

The program started with five (5) areas—4 Tier 1 areas and 1 in Tier 2 and noted as follows:

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

All TURN neighborhoods, by tier, can be seen on the following map:



A property must be sound and suitable for rehabilitation i.e. 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 value of the property after rehabilitation).

Properties which have received prior rehabilitation assistance or involved in bankruptcy or foreclosure proceedings are not eligible for assistance. All properties must undergo an Environmental Review, conducted by the Planning and Development Services Department, to ensure the absence of hazardous substances and historically significant sites. Reviews can take 14 – 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.

- Investor-Owners
 - Direct Loan
 - Forgivable Loan

Investor-owners must lease the property to families with incomes at or below 80% of the area median income, and agree to limit rent increases to not more than 3% annually for a period of seven (7) years. Investor-owners may also have 50% of their loan balance at year 5 forgiven.

Amount of Assistance

Assistance is limited to the lesser of:

- \$45,000 per dwelling unit; or
- 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

Collaboration with Community-Based Nonprofits

Coordinating Neighborhood Agencies (“CNAs”) are intended to play a central role in marketing the program and, specifically encouraging residents to complete TURN loan applications and submitting those applications to the Community Development Department (“CDD”) on their behalf. CNAs are critical to the success of the program, serving as the driving force with the targeted neighborhoods to make sure residents took advantage of the program. Neighborhood Associations, Community Development Corporations and/or other nonprofit community groups—

- Are eligible to apply to the City to coordinate and help market the program to area homeowners and landlords, and administer the application process for those interested in TURN assistance;
- May be eligible to receive up to three percent (3%) of the program maximum of \$45,000 or the amount borrowed per approved case; and
- Must use the funds received for the benefit and beautification of the neighborhood.

Program Results to Date

Funds for the program were to be allocated to five (5) Wards and staff administrative expenses as follows:

Program/Description	Amount Funded
North	\$800,000
Northeast	\$800,000
East	\$800,000
Southeast	\$800,000
South	\$400,000
CD Program Administration	\$400,000
TOTAL	\$4,000,000

Since program inception, there have been a total of 43 loans made to residents, representing \$1,521,504 in funds spent, with an average loan amount of \$35,384.

The Southeast Ward has had the greatest number of homeowners benefitting from the program, with 19 loans. East Ward residents account for 9 loans, followed by the North Ward with 10. The South Ward has seen 4 homeowners receiving assistance, and the Northeast Ward has had 1 homeowner assisted. An overview of loan activity is attached as Exhibit A, and a listing of all loans made is attached as Exhibit B.

Based on loans made and administrative expenses incurred to date, TURN fund balances are as follows:

Program/Description	Amount Funded	Spent/Encumbered	Funds Remaining
North	\$800,000	\$282,452.62	\$517,547.38
Northeast*	\$800,000	\$36,376.16	\$799,250.00
East	\$800,000	\$441,241.12	\$358,758.88
Southeast	\$800,000	\$633,714.02	\$166,285.98
South	\$400,000	\$127,720.09	\$272,279.91
CD Program Administration	\$400,000	\$249,034.51	\$150,965.49
TOTAL	\$4,000,000	\$1,770,538.52	\$2,265,087.64

*Includes \$750 for lead testing for two loan applicants who subsequently canceled their applications.

Impediments to Program Implementation

Collaboration with Community-Based Nonprofits

As originally conceived and marketed, CNAs were to be the frontline persons sharing TURN program information with area neighbors, assisting them with completing their applications, and submitting the completed applications to the Community Development Department. Not only would this encourage neighbors to submit applications as a group to effect real impact on their blocks, the stipends paid to the CNAs could be reinvested in neighborhood beautification and other types of community benefit.

No applications were ever facilitated by CNAs, although some CNAs received a stipend for approved loans in their targeted area. This lack of CNA participation made it necessary for CDD staff to engage directly with residents and assist them with completing their applications. This shift in program implementation, along with CDD staffing challenges (discussed below), has limited resident participation in the program.

Staffing

The first TURN Loan Officer was hired in August 2015. Application processing did not begin until approximately March of 2016. The original TURN Loan Officer was reassigned as a permanent Rehabilitation Loan Officer in March 2016, a change necessitated by the departure of 3 rehab loan officers in late 2015. Between August 2015—when the first TURN loan officer was hired—and November 2017 when the current TURN Loan Officer was hired, there were at least 5 different staff members assigned to the program. A TURN Rehab Construction Advisor was not hired until February 2018, giving the program two dedicated staff members for the first time. This inconsistent staffing appears to have

contributed significantly to a growing backlog of applications for assistance. Currently, there is one TURN Loan Officer and one TURN Rehab Construction Advisor.

There has been no formal marketing of the TURN program in the targeted neighborhoods by CD staff. This task, along with assisting residents with completing loan applications, was originally designed to be undertaken by the CNAs. With only 1 TURN Loan Officer, it is nearly impossible for staff to go out and market the program in neighborhoods and solicit/assist with completing loan applications, while also processing applications and moving the rehab projects through to completion.

In April 2018, the Community Development Department suspended acceptance of applications for assistance, other than those for Emergency or Urgent repairs (TURN Emergency and Urgent repair applications were excluded from the moratorium), because of a backlog of 37 applications dating prior to 2018. These 37 applications are in addition to the cases that were already in various stages of the approval or construction process. At the end of 2018, 25 of the backlogged cases remained, as outlined in the chart below. Since the program began, a total of 34 homes have been completed. There are an additional 26 applications received in 2018, prior to the moratorium, which will be processed once the backlog is eliminated.

	Applications Received Pending Review	In Under-writing	Approved Pending Closing	Pending Construction	Under Construction	Total
Pre-2018	12	3	2	1	7	25
2018	25	1	0	0	0	26

Program Guidelines

TURN guidelines are modeled on the City’s standard rehab guidelines, which are primarily focused on Minimum Housing Code, Residential Property Rehabilitation Standards, and Community Development General Specifications for Rehabilitation. These standards generally address health and safety deficits, as well as the conservation of the City’s housing stock by addressing the deterioration of properties within neighborhoods.

When conceived, TURN was to focus on full rehabilitations that improved the functionality, appearance and value of homes in the targeted neighborhoods, rather than repairs that addressed Minimum Housing Code violations for which other CDD programs are available. However, because the actual guidelines replicated those of the other CDD programs, including equity requirements, and conservation and appearance improvement were not noted as the primary purpose of a TURN loan, staff has implemented the program as per the guidelines and no differently than the other programs.

The confusion surrounding the guidelines, when coupled with the financial assistance cap (see below), impedes the City’s ability to advance the goals of the program—arrest overall property and neighborhood deterioration, encourage and leverage private investment, and generate enough investment to demonstrate targeted impact.

Financial Assistance Cap

When the TURN program was designed, financial assistance parameters were set based on the previous 5-year average of rehabilitation costs, which was \$25,000. This average was before construction costs

began to rise as the housing market started its recovery after the 2008 crash. Increasingly, in both TURN and basic rehab cases, cost estimates are trending in the \$30,000+ range, with many requiring investment at the program maximum of \$45,000.

There is also evidence that costs will continue to escalate, especially as we encounter more homes experiencing greater levels of deferred maintenance because older homeowners have lacked the resources necessary to care for their homes. There are at least 2 homeowners whose homes have deteriorated to the point where they are no longer habitable, and the cost to “repair” the homes exceeds the program cap by nearly \$45,000.

Opportunities for the Program’s Future

Now that the TURN program has had dedicated staff for nearly one full year, current backlog notwithstanding, there are 3 strategic opportunities that can drive achievement of the original program goals and are staff priorities in FY19/20:

1. Modify existing program guidelines
2. Increase the financial assistance cap
3. Re-engage community collaborations

Modify existing program guidelines

The current guidelines largely replicate those of the existing rehabilitation programs (a summary outline of which is attached as Exhibit C), including provisions that are outdated and vague. Staff recommend:

1. Revising the TURN guidelines to more readily facilitate original program objectives, in particular, funding “full” rehabs rather than Minimum Housing Code repairs, have been briefed and reviewed by staff who encounter the clients on a daily basis, and
2. Simplifying the loan approval process by permitting a tiered, staff-level approval process to accelerate approvals that currently occur only once per month when the Loan Committee meets. This tiered process will allow the CD Director to approve loans up to a certain dollar amount, followed by Assistant City Manager approval up to a specified level, and all other loans above the ACM cap go to Loan Committee for approval. A proposed tier approach will permit—
 - a. Community Development Director – loans up to \$15,000
 - b. Assistant City Manager – loans from \$15,001 to \$30,000
 - c. Loan Committee – loans above \$30,000

Increase the financial assistance cap

As noted above, the combination of rising construction costs and extensive nature of the rehabilitations necessary to achieve program objectives is increasingly hitting and exceeding the \$45,000 program loan maximum. It is highly unlikely that costs will decrease as time goes by. Staff recommends increasing the program cap to \$65,000, which would allow assistance for more homeowners, increase property values, generate/leverage more neighborhood investment, and improve neighborhood appearance.

Re-engage community collaborations

TURN was initially modeled as a community driven program which was set to encourage local Coordinating Neighborhood Agencies (CNA) to be the boots on the ground and spread the word about

TURN and the impact that it could make within their own communities. CD provided training to the Council-designated CNA's, as well as provided abundant supplies of program materials, such as applications, flyers, etc. in hopes that they would utilize the training and materials to generate homeowner applications which would lead to approved rehabs. The Neighborhood Services division of CD will begin rollout of C.O.R.E. (Collaborative Outreach Revitalization and Engagement) during the 1st quarter of 2019, and will use this as an opportunity to re-engage with CNAs. TURN staff will again make training and materials available to CNAs, and seek their partnership to generate more TURN applications.

EXHIBIT A
COMMUNITY DEVELOPMENT DEPARTMENT
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

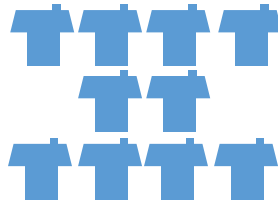
Southeast - \$600,801.00

Avg. Loan Amount: ≈ \$31,621.11

South - \$172,921.00

Avg. Loan Amount: ≈ \$43,230.25

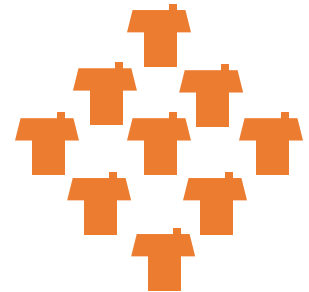
North



Northeast

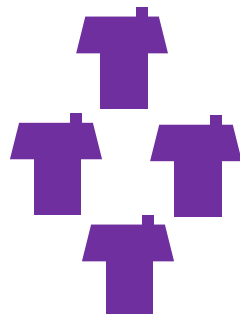


East

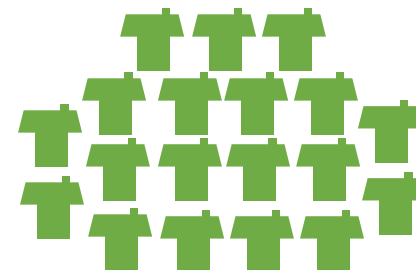


Total number of TURN loans 2015-2018:
43
Total loan funds spent from 2015-2018:
\$1,521,504
Average TURN loan amount from 2015-2018:
≈ **\$35,384**

South



Southeast



 = one loan

EXHIBIT B

Last Name	Ward	Fund Amount
Boulware	SE	\$ 29,466.00
Brendle	SE	\$ 12,382.00
Burgess	SE	\$ 25,928.00
Corley	SE	\$ 28,906.00
Degraffinreaidt	SE	\$ 35,095.00
Duckett	SE	\$ 14,600.00
Fair	SE	\$ 44,334.00
Fair	SE	\$ 45,000.00
Frazier	SE	\$ 43,249.00
King	SE	\$ 45,106.00
Malone	SE	\$ 26,215.00
McEntyre	SE	\$ 28,006.00
McKissick	SE	\$ 39,594.00
Rankins	SE	\$ 46,393.00
Reed	SE	\$ 28,871.00
Settle	SE	\$ 34,981.00
Sheppard	SE	\$ 45,000.00
Watkins	SE	\$ 13,713.00
Mitchell	SE	\$ 13,962.00
Total		\$ 600,801.00
Adams	N	\$ 30,638.00
Caldwell	N	\$ 45,000.00
Fisher	N	\$ 44,661.00
Gwyn	N	\$ 37,068.00
Sims	N	\$ 33,815.00
Stephens	N	\$ 46,562.00
Harris	N	\$ 12,715.00
Hairston	N	\$ 40,200.79
Thompson	N	\$ 16,855.00
Washington	N	\$ 12,790.00
Total		\$ 320,304.79
Ames	S	\$ 41,282.00
Rush	S	\$ 43,343.00
Sinclair	S	\$ 43,457.00
Wadkins	S	\$ 44,839.00
Total		\$ 172,921.00
Anthony	E	\$ 45,998.00
Brinkley	E	\$ 18,995.00
Carpenter-McKinney	E	\$ 9,218.00
Durham	E	\$ 45,000.00
Gibson	E	\$ 42,415.00
Henry	E	\$ 28,406.00
Mosley	E	\$ 45,000.00
Robinson	E	\$ 18,478.00
Scott	E	\$ 21,918.00
Total		\$ 275,428.00
Crowell	NE	\$ 35,626.16
Total		\$ 35,626.16

Rehab Program Compare Spreadsheet								
	Rehab NRSA - CDBG/HOME	Rehab Citywide - HOME	TURN - BOND	Emergency Repair - CDBG	CD Urgent Repair - CDBG	CD Handicap Grant - CDBG/HOME	CD Handicap Loan - CDBG/HOME	Hazard Reduction - CDBG/HOME
Eligible Applicants	O/O: Deferred and Direct I/O: Direct Only	O/O: Deferred and Direct I/O: Direct Only	O/O: Deferred and Direct I/O: Direct Only	O/O: Deferred and Direct	O/O and must have special need: >= 62 years old; handicapped; single parent w/ dependent child; >= 5 household members	O/O: Deferred	O/O: Deferred and Direct I/O: Direct Only	O/O and I/O: Deferred
Income Eligibility	O/O - HH AMI <= 50% Deferred I/O - HH AMI 51% to 80% Direct	O/O - HH AMI <= 50% Deferred I/O - HH AMI 51% to 80% Direct	Applies only to O/O* O/O - HH AMI <= 50% Deferred O/O - HH AMI 51% to 200 % Direct I/O - Direct	HH AMI: 31% to 50% / Deferred HH AMI: 51% and <81% / Direct HH AMI: <= 30% / Forgivable	HH AMI: <= 50%	HH AMI: <= 50%	O/O - HH AMI: 51% to 80% & housing expense <30% / Deferred O/O - HH AMI: 51% to 80% & housing expense >30% / Direct I/O - Same rates as Rental Rehab Program	Based upon type of rehab assistance applicant is eligible for (i.e., CD Rehab, CW Rehab, Emergency Repair, Urgent Repair, or TURN)
Eligible Properties	A. Repairs or improvements required to meet minimum housing code standard. B. Not suitable if cost of repair exceeds 65% as-is tax value minus land cost or, cost of rehab > 95% after rehab value	A. Repairs or improvements required to meet minimum housing code standards. B. Not suitable if cost of repair exceeds 65% as-is tax value minus land cost or, cost of rehab > 95% after rehab value	A. Repairs or improvements required to meet minimum housing code standards. B. Not suitable if cost of repair exceeds 65% as-is tax value minus land cost or, cost of rehab > 95% after rehab value	Conditions which present imminent threat to the health and/or safety of the residents of substandard housing	Conditions which pose imminent threats to residents life and/or safety that require displacement.	Properties with architectural barriers that create a physical impediment to the mobility of handicapped resident(s)	Properties with architectural barriers that create a physical impediment to the mobility of handicapped resident(s)	Conditions where the presence of LBP hazards and asbestos must be decreased or eliminated in order to avoid exposure to the occupants.
Ineligible Properties	A. Properties in bankruptcy or foreclosure B. Properties with reverse mortgage or federal tax liens	A. Properties in bankruptcy or foreclosure B. Properties with reverse mortgage or federal tax liens	A. Properties in bankruptcy or foreclosure B. Properties with reverse mortgage or federal tax liens	Properties that do not constitute a threat to the health and/or safety of the occupants	Properties without conditions that pose imminent threat to residents life and/or safety and do not require displacement.	Properties without handicapped resident(s)	Properties without handicapped resident(s)	Properties without the presence of LBP hazards and asbestos.
Eligible Areas	Designated Target Area	Outside NRSA	TURN Designated Target Area	Within City Limits of Winston-Salem	Within City Limits of Winston-Salem	Within City Limits of Winston-Salem	Within City Limits of Winston-Salem	Within City Limits of Winston-Salem