



City of Newark

City Hall
920 Broad Street
Newark, New Jersey 07102

Legislation Text

File #: 13-0196, **Version:** 1

Dept/ Agency: Economic & Housing Development

Action: () Ratifying (X) Authorizing () Amending

Type of Service: Affordable Housing Agreement to enable Newark residents to purchase properties which the City has acquired for homeownership

Purpose: Home ownership

Entity Name: City of Newark

Entity Address: 920 Broad Street, Newark, NJ 07102

Grant Amount: No City funds required

Funding Source:

Contract Period: Program would begin as soon as Municipal Council authorizes

Contract Basis: () Bid () State Vendor () Prof. Ser. () EUS

() Fair & Open () No Reportable Contributions () RFP () RFQ

() Private Sale () Grant () Sub-recipient () n/a

List of Property:

(Address/Block/Lot/Ward)

Additional Information:

This legislation has been placed directly on the agenda as instructed by the sponsor.

WHEREAS, as part of its responsibility to promote and foster economic and housing development in the City of Newark, the Department of Economic and Housing Development, Division of Housing and Real Estate (hereinafter, "DEHD") seeks to make available opportunities for home ownership in the City; and

WHEREAS, DEHD has surveyed the condition of residential properties in the City of Newark and determined that there are currently or will be a underutilized residential properties owned by the City, acquired by means of in rem tax foreclosure or condemnation following placement on the City's Abandoned Properties list pursuant to the Abandoned Properties Rehabilitation Act, that, with appropriate rehabilitation, could be returned to productive use as residences; and

WHEREAS, as a means of returning these properties to productive use and providing home ownership opportunities, DEHD has developed a homestead program, whereby these properties will be sold, at private sale, to first-time homebuyers willing to both (1) rehabilitate the property using a loan issued pursuant to and insured by the United States Department of Housing and Urban Development's ("HUD") Section 203(K) Rehabilitation Mortgage Insurance Program (the "203(K) Program") and (2) occupy the property as their principal residence for a period of not less than five (5) years (the "Homestead Program" or the "Program"); and

WHEREAS, the 203(K) Program, is complimentary to the Program, because it is designed to promote and facilitate the restoration and preservation of existing housing stock through the issuance of loans by HUD

approved private lenders, insured by HUD; and

WHEREAS, the 203(K) Program contains a number of restrictions and procedural safeguards which will ensure that Program properties are rehabilitated in a reasonable manner; and

WHEREAS, the City, in connection with its efforts to redevelop the entire City, by resolution 7RAS50405 adopted May 4, 2005, directing the Central Planning Board of the City (the “Central Planning Board”) to undertake an investigation to determine if the City satisfied the statutory criteria as an “area in need of rehabilitation” in accordance with the provisions of N.J.S.A. 40A:12A-14 of the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the “Act”); and

WHEREAS, the Central Planning Board conducted the requested investigation in accordance with the Act, including a public hearing on June 6, 2005, after which hearing the Central Planning Board recommended the designation of the entire City as an “area in need of rehabilitation” to the City Administration and City Council; and

WHEREAS, on June 15, 2005, by Resolution 7RD0 (A.S.) 061505 based upon the recommendation of the Central Planning Board, the City designated the entire City as an “area in need of rehabilitation” (as defined by the Act) and the designation became effective on June 17, 2005 upon the transmission of the resolution to the New Jersey Department of Community Affairs by the City Clerk; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-8(f), the City is authorized to arrange or contract with third parties for the planning, replanning, construction or undertaking of any redevelopment project; and

WHEREAS, the rehabilitation of properties under the City of Newark Homestead Program constitutes redevelopment as such term is defined in the LRHL; and

WHEREAS, the Municipal Council is desirous of allowing the Deputy Mayor/Director of the Department for Economic and Housing Development, and/or his designee, to enter into agreements pursuant to the LRHL for the purchase and sale, and rehabilitation of properties under the Homestead Program with homebuyers who intend to purchase properties identified by DEHD as appropriate in accordance with this program.

NOW, THEREFORE, BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE CITY OF NEWARK, NEW JERSEY, THAT:

1. Establishment of Program. The City of Newark Homestead Program, to be resident in and administered by the Department of Economic and Housing Development, is hereby established on and subject to the terms and conditions herein contained.

2. Purpose. The purpose of the Program is to facilitate economic development and homeownership opportunities within the City of Newark by facilitating the rehabilitation and renewed occupancy of City owned residential properties containing between one (1) and three (3) dwelling units, that the City acquired through in rem tax foreclosure or condemnation following placement on the City’s Abandoned Properties list pursuant to the Abandoned Properties Rehabilitation Act, through their sale to First Time Homebuyers, who will acquire and rehabilitate such property using a 203(K) Loan, and occupy such property (or one of the units therein) as their principal residence for a period of not less than five (5) years.

3. Definitions. The following defined capitalized terms used in this Resolution shall have the meaning specified in the recitals above (each of which are hereby incorporated into and made part hereof) or as set forth in the list below, or as may be expressly ascribed to such capitalized terms elsewhere herein, such definitions to be applicable equally to the singular and plural forms of such terms:

“203(K) Loan” means a loan issued by a HUD approved lender pursuant to and in accordance with the 203(K) Program.

“203(K) Program” means the program established under Section 203(k) of the National Housing Act (the “NHA”), as amended by Section 101(c)(1) of the Housing and Community Development Amendments of 1978, through which HUD insures mortgages issued by HUD approved private lenders, which loans provide financing for the acquisition and rehabilitation of one to three family residential properties.

“Applicable Law” means all federal, state and local laws, ordinances, approvals, rules, regulations statutes, permits, resolutions, judgments, orders, decrees, directives, interpretations, standards, licenses and other similar requirements applicable hereto, including but not limited to, the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq., the NHA, the Zoning Ordinances of the City of Newark, and to the extent applicable pursuant to the terms of the Redevelopment Plan; relevant construction codes; and all other applicable federal, state or local zoning, land use, environmental, health and safety laws, ordinances, rules and regulations.

“City of Newark Urban Homestead Program” or the “Program” means the program established hereunder providing for the sale of properties on the Program Property List to Eligible Buyers who will rehabilitate such property pursuant to a 203(K) Loan and occupy same (or a unit therein) as their principal residence for a period of not less than five (5) years.

“Disclosure Forms” means the following City forms: (1) Certification of Compliance with Executive Order on Pay to Play Reform, (2) Hold Harmless Agreement, (3) Political Contribution Disclosure, (4) Non-Collusion Affidavit, (5) Certification of No City Officer or City Employee Conflict of Interest, and (6) Redeveloper Pay-to-Play Affidavit.

“Eligible Buyer” means any natural person who has demonstrated that he is a First Time Homebuyer, has submitted fully executed originals of each of the Disclosure Forms, and produced a prequalification letter from a HUD approved lender for a 203(K) Loan.

“Eligible Property” means any residential structure containing between one (1) and three (3) dwelling units, owned by the City and acquired by it through in rem tax foreclosure or condemnation following placement on the City’s Abandoned Properties list pursuant to the Abandoned Properties Rehabilitation Act is eligible for inclusion on the Program Property List.

“First Time Homebuyer” means a person who has not owned fee simple title to any residence during any portion of the three (3) years proceeding submission of a Program Agreement and Program Application.

“Program Agreement” means the contract for the private sale and redevelopment of a property on the Program Property List attached hereto as Exhibit B and approved for use in the Program.

“Program Application” means the form attached hereto as Exhibit A including the Certification, Disclosure

Forms and other required documents pursuant to Exhibit A.

“**Program Log**” means the list DEHD shall maintain detailing the date and time of its receipt of all Program Agreements and Program Applications.

“**Program Property**” means an Eligible Property placed on the Program Property List in accordance herewith.

“**Program Property List**” means the list of properties approved by the Municipal Council of the City of Newark for sale in accordance with the terms and conditions of the Program.

4. Terms and Conditions of the Program.

A. Program Property List.

1. Creation of Program Property List. DEHD will conduct a preliminary investigation of City files for properties in the City of Newark to determine which properties are Eligible Properties, and thereafter shall create a list of such Eligible Properties. Such list shall also state the purchase price for a property calculated in accordance with Section 4(C). Once DEHD has completed this initial investigation and created a list, it will present such list to the Municipal Council, which, once approved and adopted shall constitute the Program Property List.

2. Procedure for adding Eligible Properties to the Program Property List. As often as DEHD deems appropriate, DEHD shall present to the Municipal Council an amendment to the Program Property List for the purpose of adding Eligible Properties to the Program Property List.

B. Property Selection by Eligible Buyers.

1. Public Display of Program Property List. The Program Property List shall be made available to the public both by the posting of same in City Hall, Room 421 and/or on the City’s website.

2. Property Selection.

(a) Program Properties shall be sold to the first Eligible Buyer to submit a complete and accurate Program Agreement and Program Application for a particular property.

(b) Prospective Eligible Buyers shall submit three (3) original executed and completed Program Agreements and Program Applications , along with (a) evidence sufficient to DEHD in its sole discretion that the person is a First Time Home Buyer (b) fully executed copies of each of the Disclosure Forms and (c) a deposit in the amount of \$1,000.00 by certified check in a sealed envelope labeled “City of Newark Homestead Program Deposit” and with the prospective Eligible Buyer’s name and the Program Property the Eligible Buyer desired conspicuously labeled on the exterior of such envelope.

(c) DEHD shall maintain a Program Log in City Hall, Room 421.

(d) DEHD shall review all Program Agreements and Program Applications for completeness and accuracy in the order in which they are received as noted in the Program Log. If DEHD deems the Program Agreements and/or Program Applications complete and accurate, it

is hereby authorized to and shall cause the Program Agreements to be countersigned, returning one fully executed Program Agreement to the Eligible Buyer, delivering one to the Clerk's Office for filing, and maintaining the third in its files.

(e) If DEHD deems a Program Agreement and/or Program Application either incomplete or inaccurate in any respect, it shall return them to the applicant along with a notice detailing the deficiencies or inaccuracies with such application. The applicant may then resubmit, but such revised submission shall be deemed received for purposes of paragraph (c)(2)(a) and (c)(2)(c) above on the date and time of DEHD's receipt of the revised submission.

C. Purchase Price of a Program Property. The Purchase price of a Program Property shall be the greater of: (i) the amount the City paid to acquire the Program Property if acquired through condemnation (including any and all costs and charges incurred by the City in connection therewith), plus the amount owed to the City of Newark Water Department for past due water and sewer charges; (ii) the amount owed to the City of Newark Water Department for past due water and sewer charges; or \$2,500.

D. Program Agreement. As noted in 4(B)(2) above, an applicant must submit three (3) fully executed originals of the Program Agreement with three (3) fully executed originals of the Program Application. The form of Program Agreement is non-negotiable and the City will not consider any modifications thereto. **ALL POTENTIAL APPLICANTS ARE PLACED ON NOTICE THAT THE PROGRAM AGREEMENT IS NOT A BROKER PREPARED FORM CONTRACT AND THUS IS NOT SUBJECT TO ATTORNEY REVIEW. IT IS BINDING UPON FULL EXECUTION. WHILE THE AGREEMENT WILL NOT BE MODIFIED, APPLICANTS ARE ENCOURAGED, BUT NOT REQUIRED, TO CONSULT AN ATTORNEY PRIOR TO EXECUTION AND DELIVERY.**

D. Program Property Improvement Requirements. All Program Properties shall be rehabilitated in accordance with the requirements of the 203K program, shall be completed in accordance with Applicable Law, and shall include improvements costing not less than five thousand dollars (\$5,000.00).

5. Authorization to Enter Into Program Agreement and to Convey Program Properties. The Director of the Department of Economic and Housing Development, or his designee, is hereby authorized to enter into Program Agreements with Eligible Buyers for Program Properties listed on the Program Property List on and subject to compliance with the terms and conditions herein contained, and is further authorized to execute deeds and any or all other documents necessary for conveying Program Properties in accordance with Program Agreements and administering the Program. All Program Agreements and deeds shall be attested by the City Clerk and approved as to form and legality by Corporation Counsel.

6. No municipal funds are required.

STATEMENT

The purpose of this resolution is to create the City of Newark Homestead Program which will facilitate economic development and homeownership opportunities within the City of Newark by facilitating the rehabilitation and renewed occupancy of City owned residential properties containing between one (1) and three (3) dwelling units, that the City acquired through in rem tax foreclosure or condemnation following placement on the City's Abandoned Properties list pursuant to the Abandoned Properties Rehabilitation Act, through their sale to First Time Homebuyers, who will acquire and rehabilitate such property using a 203(K)

Loan, and occupy such property (or one of the units therein) as their principal residence for a period of not less than five (5) years.