

## **RESOLUTION 24-11198**

### **A RESOLUTION GRANTING THE CITY ADMINISTRATOR THE AUTHORITY TO EXECUTE CONTRACTS TO AUTHORIZE AND FACILITATE THE IMPLEMENTATION OF THE NEIGHBORHOOD STABILIZATION AND FORECLOSURE ACQUISITION / REHABILITATION PROGRAMS AND REPEALING RESOLUTIONS 10-18921, 10-18984, 11-19122, 13-19325, AND 17-10660**

WHEREAS the City of Billings applied to the Montana Department of Commerce for a maximum of \$2,687,350 in Neighborhood Stabilization Program funding on July 27, 2009, to acquire, rehabilitate and offer affordable housing opportunities to low, moderate, and middle income households;

WHEREAS the funding for the Neighborhood Stabilization Program was authorized through the Housing and Economic Recovery Act of 2008 to prevent the deterioration of neighborhoods due to foreclosures;

WHEREAS the City of Billings received a finalized contract #MT-NSP-024-01-001 from the Montana Department of Commerce's Neighborhood Stabilization Program on January 25, 2010, authorizing the City of Billings to proceed in implementing the Neighborhood Stabilization Program within the City of Billings limits;

WHEREAS, the City of Billings will appropriate Neighborhood Stabilization Program Income and other federal funding for approved projects to implement the program through Budget Allocations and Amendments on a project-by-project basis;

WHEREAS, the City of Billings allocates Community Development Block Grant (CDBG) funding to further the program under the Foreclosure Acquisition / Rehabilitation Program, which is managed in a similar manner to the Neighborhood Stabilization Program;

WHEREAS, the intent of the Foreclosure Acquisition / Rehabilitation program is to improve the supply of decent, safe, sanitary and affordable housing for low-income families and individuals, and to enhance the stability and standard of living in existing neighborhoods;

WHEREAS, there have been instances where local and state governments have honored the intention of low-income programs and allowed exemptions to carry out an established program to meet the needs of low-income households, as is evident in the MCA property tax exemption for low-income tenants;

WHEREAS, the Foreclosure Acquisition / Rehabilitation Program was established in 2010 and is routinely utilized by the City as part of the City's 5-year Consolidated Plan, which is approved by the City Council and the U.S. Department of Housing and Urban Development (HUD).

WHEREAS, after properties acquired through the Foreclosure Acquisition / Rehabilitation Program have been rehabilitated, the properties shall be offered for sale to income-qualified, City-approved, First Time Home Buyers.

WHEREAS, the Foreclosure Acquisition / Rehabilitation Program does not allow for alternative use or redevelopment of properties acquired through the Foreclosure Acquisition / Rehabilitation Program, as is possible with other City properties; therefore, the requirements of Billings, Montana City Code Section 22-902, Sale, Disposal, or lease of City Property shall be waived for the sale of property under this Program.

WHEREAS, a public Notice of Intent to sell city-owned property will be published three (3) times prior to the sale; and

WHEREAS, the City of Billings desires to establish market-driven funding limits that automatically adjust to current local market conditions.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Funding Appropriation: The City of Billings hereby authorizes the appropriation of funding on a project-by-project basis to acquire, rehabilitate and sell vacant, foreclosed homes to low-income purchasers whose household income is equal to or less than the U.S. Department of Housing and Urban Development's (HUD) 80% Area Median Income limits.

Section 2. Contract Authority and Execution: The City of Billings hereby authorizes the City Administrator the authority to execute maximum contracts throughout the implementation of the Neighborhood Stabilization and Foreclosure Acquisition / Rehabilitation Programs as follows:

- a) The acquisition price to purchase eligible, foreclosed and/or vacant housing units, or vacant property or lots, citywide shall not exceed the Unadjusted Median Value for Existing Homes HOME / HTF Purchase Price Limit, as established by HUD.
- b) Contracts for rehabilitation and/or new construction to bring the units to current HUD and local housing standards shall follow the City's procurement policies and procedures to ensure the most competitive pricing.
- c) Contracts to safely demolish foreclosed and blighted structures not suitable for rehabilitation in order to prepare the parcel for future affordable housing development shall follow the City's procurement policies and procedures to ensure the most competitive pricing.

Section 3. Contract Authority and Execution: The City of Billings hereby authorizes the City Administrator the authority to execute Neighborhood Stabilization and Foreclosure Acquisition / Rehabilitation programs property sales contracts, closing documents, and any and all other required documents related to the sale of acquired properties.

Section 4. Effective Date and Duration: The Resolution shall become effective on May 13, 2024, and will continue as long as program funding is available and allocated to the programs named herein.

Section 5. Repealer: Resolution number 17-10660 and any other resolutions inconsistent herewith are rescinded and repealed.

Passed and approved this 13<sup>th</sup> day of May, 2024.



CITY OF BILLINGS:

BY: William A. Cole  
William A. Cole, Mayor

ATTEST:

BY: Denise R. Bohlman  
Denise R. Bohlman, City Clerk

**City Council Regular**

**Date:** 05/13/2024  
**Title:** Updated Resolution and Contract Limits & Neighborhood Stabilization Programs  
**Presented by:** Tam Rodier  
**Department:** Planning & Community Services  
**Presentation:** No  
**Legal Review:** Yes  
**Project Number:** N/A

Foreclosure Acquisition / Rehabilitation

COUNCIL ACTION **APP 8-3**

*Neese, Owen & Tidwell*  
*opposed RES 24-11198*  
**MAY 13 2024**

*TK*

CITY CLERK

**RECOMMENDATION**

City staff recommends the City Council approve the Resolution to adopt standardized, market-driven contract limits reflecting current local conditions to preserve the viability of the City's Foreclosure Acquisition / Rehabilitation Program; to include the ability to purchase vacant lots to build new affordable housing; and continue City Administrator authority to sell properties acquired through the Foreclosure Acquisition / Rehabilitation Program to qualifying low-income households. The new Resolution will Repeal Resolutions 10-18921, 10-18984, 11-19122, 13-19325, and 17-10660.

**BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)**

The median sales price limit established by the U.S. Department of Housing and Urban Development (HUD) for property acquisition in the Billings Metro Area has increased 53 percent from 2017 to 2023. However, contract limits for the City's Foreclosure Acquisition / Rehabilitation Program have not increased since 2017. Likewise, construction costs have increased more than 27 percent over the past seven years as per the U.S. Inflation Calculator while contract limits remained static.

City staff will continue to prioritize highly dilapidated properties in / near the city's lower-income neighborhoods that require substantial rehabilitation.

**STAKEHOLDERS**

Because rehabilitated homes will be sold to an income-qualified First Time Home Buyer applicant, all low-income community members are considered stakeholders. In addition, neighbors living near the homes have often dealt with a dilapidated, vacant structure for several years, so they will likely be thankful to have the home rehabilitated and occupied following the sale.

**ALTERNATIVES**

City Council may:

- Approve the Resolution; or,
- Not Approve the Resolution. Not approving the resolution will leave it out of alignment with current costs and market-driven contract limits reflecting current local conditions to preserve the viability of the City's Foreclosure Acquisition / Rehabilitation Program.

**FISCAL EFFECTS**

The Foreclosure Acquisition / Rehabilitation Program utilizes pass-through CDBG funding from HUD. City resources are not used for this program.

Establishing limits that automatically adjust to current local market conditions will help ensure the sustainability and viability of the City's Foreclosure Acquisition / Rehabilitation Program. A greater number of housing units and land parcels would be eligible for acquisition and would expand quality affordable housing options throughout the city. This would also assist the City in meeting current and future CDBG expenditure deadlines.

**SUMMARY**

City staff recommends the City Council approve the Resolution to adopt standardized, market-driven contract limits reflecting current local conditions to preserve the viability of the City's Foreclosure Acquisition / Rehabilitation Program; to include the ability to purchase vacant lots to build new affordable housing; and continue City Administrator authority to sell properties acquired through the Foreclosure Acquisition / Rehabilitation Program to qualifying low-income households. The new Resolution will Repeal Resolutions 10-18921, 10-18984, 11-19122, 13-

19325, and 17-10660.

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## Attachments

Resolution Foreclosure Program





## Community Development Division

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Billings, MT 59101  
P 406.657.8281  
TTY 711

billingsmt.gov

Handout

5/13/24

**Billings**  
PLANNING  
& COMMUNITY  
SERVICES

## Foreclosure Acquisition / Rehabilitation Program

**Overview:** Federal HUD funding is used to acquire and redevelop vacant, foreclosed properties that may otherwise become sources of abandonment and blight within the Billings community. Following rehabilitation or reconstruction, the homes are sold to income-qualified households through the First Time Home Buyer program. Mortgage payments are based on 30% of the household's income. A silent second lien is placed on the home for the difference between the purchase price and an affordable mortgage payment.

**History:** In 2010, the Montana Department of Commerce awarded the City \$569,314 in Neighborhood Stabilization Program funding to purchase and rehabilitate three homes. The City continued the program with Community Development Block Grant funding and 13 homes have been purchased as of November 2023.

The great majority of the homes purchased need extensive repairs. If the City did not purchase and rehabilitate these homes, it is very likely they would become rentals with very unsafe conditions for tenants and would continue contributing to neighborhood decline.

Of the 11 properties that have been rehabilitated and sold to low-income FTHBs, 7 were sold to households under 50% of the Area Median Income (AMI), and 4 to households under 80% AMI.

### Here are some interesting program averages:

Acquisition price	\$133,453	
City rehabilitation investment	\$102,792	
Total City investment	\$224,844	
Purchase appraisal	\$126,475	
Acquisition discount (at least 1% required)	4%	Range is 1% to 8%
After-rehab appraisal	\$172,450	
Increase in home value after rehab	\$171,318	
Homeowner first mortgage	26%	
City's second mortgage lien	\$96,279	
Revenue per home following initial resale	\$77,967	
<b>Total City Liens / Future Revenues</b>	<b>\$857,641</b>	









