

**City of Mt. Pleasant
Owner-Occupied Residential Incentive Program**

I. Background:

Since the 1960's the percentage of owner-occupied housing units in the city has declined. Traditionally, this changing percentage was largely attributed to more rental units being constructed in one decade than single family homes.

In 2002, the City received a grant from the Michigan Economic Development Corporation to prepare a Blueprint for the revitalization of the downtown. An important feature of that Blueprint Plan, released in 2003, is having a stable residential base in and around the downtown.

In 2005, the City Commission allocated \$100,000 and assigned the Planning Department the task of using the funds to increase the amount of owner-occupied housing in the city.

The Planning Department has identified ECF areas 4-2 and 4-3 as the target area for an Owner-Occupied Residential Incentive Program. These ECF areas are generally bordered by High Street to downtown, and Mission Street to Mill Pond Park. This target area was chosen because of the goals stated in the Blueprint Plan for downtown, specifically, the quality of the housing stock and the mixture of owner and rental housing in the area.

On March 7, 2008, staff met with mortgage officers from the following local institutions: Isabella Bank and Trust, National City Bank, First Bank, Commercial Bank, and Isabella Community Credit Union. Mortgage officers from those banks were highly supportive of this proposed program and offered several suggestions that have been incorporated into the guidelines. They also indicated a high probability of success for this pilot program in the target neighborhood.

The program was presented to the City Commission at its regular meeting on Monday, March 24, 2008. Upon its approval, the program will be launched at the April 14, 2008 City Commission meeting in conjunction with National Homeownership Month.

II. Program Implementation:

1. Applicants will be accepted on a first come first served basis. For single family licensed rentals, 5% of the purchase price up to \$10,000 per applicant will be reserved for up to 60 days for the purpose of down payment assistance. For licensed rooming dwellings, the incentive is 8% of the purchase price up to \$16,000 per applicant.
2. Applicants will need to contact the mortgage lender of their choice and be pre-approved for a mortgage prior to making application at the City.
3. Following the City's receipt of the pre-approval letter, the applicant will find an existing rental property for sale in the target neighborhood. The applicant and their realtor will handle all negotiations related to the purchase of the property.

Duplexes and homes converted into multiple rental units may be utilized, provided at least 50% of the property is converted to an owner-occupied state. Mixed uses residential/commercial/office structures may not be included in this program.

4. The City will be notified of the acceptance of the Purchase Agreement (by receipt of a copy of the document) and notified of the closing date which must be within 60 days of receipt of the Purchase Agreement.
5. The City will prepare a check for up to the program limit for delivery to the closing agent prior to closing, along with a Rental Housing Rights Conveyance document to be signed by the buyer at closing. This document contains the terms and conditions whereby the purchaser grants and conveys to the City the following with respect to the property being purchased:
 - a. Purchaser surrenders all rights to lease or rent the property or any portion of the property to any other person or entity, except as contained in the Conveyance document.
 - b. Purchaser surrenders any license issued by the City to use the property as a licensed family housing unit or licensed rooming or boarding dwelling unit.
 - c. Purchaser surrenders all rights to use the property as a non-conforming use or structure as a licensed family housing unit or licensed rooming or boarding dwelling unit.
 - d. The purchaser shall own and occupy the property for at least 5 years. The property may be sold or conveyed to another owner-occupant prior to the expiration of this 5-year period.
 - e. Neither the property, nor any more than one-half of the habitable floor space of the property, (excluding all garage areas, basements without sufficient egress, and other areas that may not be occupied as dwelling space), shall be leased or rented for any type of use. The only exception shall be for a limited period of time due to extraordinary hardship as approved by resolution of the City Commission.
 - f. There are no existing leases or rental agreements and no persons in possession of the property except the purchaser or the seller.
 - g. The consideration paid by the City is to be used as part of the down payment toward the purchase of the property.

TJK:js
4-9-08

Moved by Commissioner McGuire and supported by Vice Mayor Holton to announce the start-up of the Owner-Occupied Residential Incentive Program and endorse the parameters as follows:

Total Funds Available:

- \$100,000 paid for rental license rights distributed on a "first come-first served" basis

Target Neighborhood:

Revised July 13, 2009

Moved by Vice Mayor Kilmer and supported by Commissioner Tilmann to approve the expansion of the boundaries of the Residential Owner Occupied Incentive Program to include expansion of the northern boundaries to include the entire neighborhood north of High Street; West of the Mission Street commercial property line; South of Pickard Street and East of Main Street as well as the southern boundaries to be bound on the North by High Street, on the East by Arnold, the South by Bellows, and the western boundary would replicate the line between the M-2 zone and the R-3 zone.

AYES: Commissioners Holton, Joslin, Kilmer, Ling, McGuire and Tilmann

NAYS: Commissioner Palmer

ABSENT: None

Motion carried.

Eligibility Requirements:

- New purchasers of rental property
- Properties must be converted to owner-occupied/primary residence
- Purchasers must be pre-qualified for mortgage
- Purchasers must execute document conveying property's rental license back to the City for a minimum of five years

Price for Rental Licensing Rights (City will pay):

- Single family rental license: 5% of the purchase price not to exceed \$10,000
- "Rooming/boarding" license: 8% of the purchase price not to exceed \$16,000

AYES: Commissioners Holton, Joslin, Kilmer, Ling, McGuire and Spycher

NAYS: Commissioner Palmer

ABSENT: None

Motion carried.