



City of Billings
Community Development Division - Memorandum

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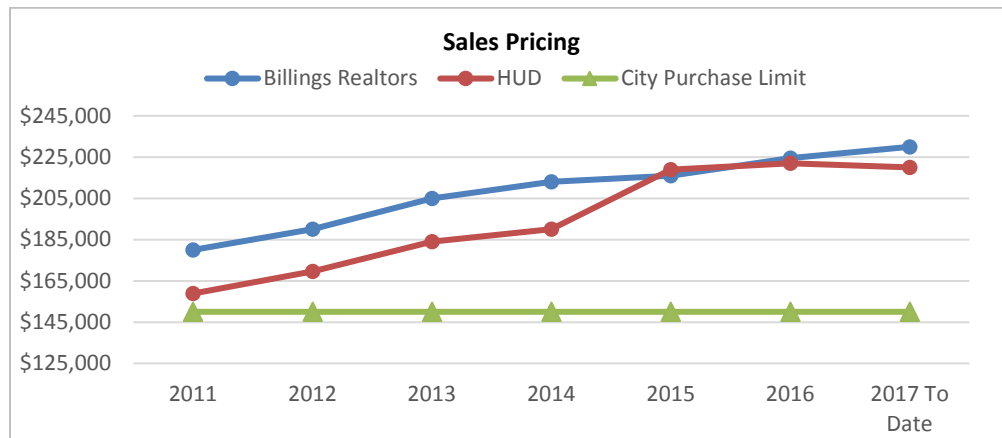
Date: August 23, 2017
 To: Billings City Council
 Tina Volek, City Administrator
 Wyeth Friday, Planning & Community Services Department Director
 From: Brenda Beckett, Community Development Manager
 Re: City Council Agenda Item - Contract Limits for Foreclosure Programs

Overview: Staff will be asking the City Council to approve a Resolution to utilize standardized data to establish the purchase, rehabilitation, and demolition contract limits for the Foreclosure Acquisition / Rehabilitation and Neighborhood Stabilization programs. The use of standardized limits is a more effective and efficient way to manage the City’s programs and reflects current and local housing conditions.

Staff is proposing to utilize a percentage of HUD’s current area median sales price to set the acquisition, rehabilitation, and demolition limits for the City’s Foreclosure programs. HUD’s limits are adjusted on an annual basis.

	2010 Limits	Industry % Increases	Current Pricing Estimates	Current Area Median Sales Price	\$220,000
Acquisition	\$150,000	38.49%	\$207,735	95% Acquisition Limit	\$209,000
Rehabilitation	\$80,000	15.7%	\$92,560	50% Rehabilitation Limit	\$110,000
Demolition	\$20,000	15.7%	\$23,140	15% Demolition Limit	\$33,000

Acquisition: The first limits for the City’s foreclosure programs were set in 2010. Data from the Billings Association of Realtors and the U.S. Department of Housing and Urban Development (HUD) illustrates significant increases in median sales pricing, while the City’s purchase price limits have remained static at \$150,000. Setting the acquisition limit at 95 percent would also match the regulatory purchase price limit for the City’s HOME First Time Home Buyer program.

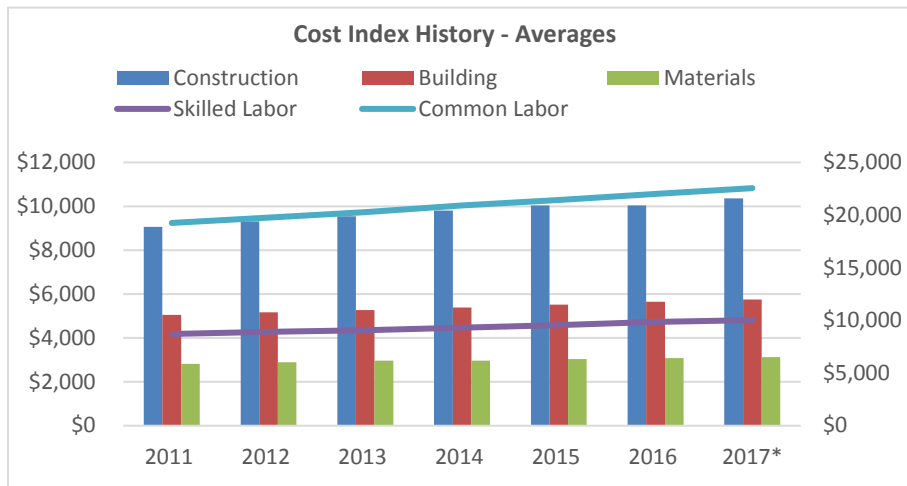


	Billings Realtors	HUD	City Purchase Limit
2011	\$180,000	\$158,860	\$150,000
2012	\$190,058	\$169,601	
2013	\$205,000	\$183,950	
2014	\$213,000	\$190,000	
2015	\$216,000	\$219,000	
2016	\$224,500	\$222,000	
2017 To Date	\$230,000	\$220,000	
% Increase	28%	38.49%	0%

Rehabilitation and Demolition: Construction, building, materials and labor costs have also increased from approximately 11 to 17 percent over the same time period. The 2010 limits for rehabilitation have remained at \$80,000 from 2010 to the present.

Cost History Index Annual Averagesⁱ					
<i>Engineering News-Record www.enr.com</i>					
<i>Year</i>	<i>Construction</i>	<i>Building</i>	<i>Materials</i>	<i>Skilled Labor</i>	<i>Common Labor</i>
2011	\$9,070	\$5,058	\$2,826	\$8,712	\$19,257
2012	\$9,308	\$5,174	\$2,896	\$8,901	\$19,770
2013	\$9,547	\$5,278	\$2,961	\$9,068	\$20,291
2014	\$9,806	\$5,387	\$2,966	\$9,302	\$20,918
2015	\$10,035	\$5,518	\$3,046	\$9,565	\$21,440
2016	\$10,038	\$5,645	\$3,078	\$9,854	\$22,017
2017*	\$10,362	\$5,751	\$3,134	\$10,027	\$22,559
% Increase	14.24%	13.70%	10.89%	15.09%	17.15%

**2017 Estimates*

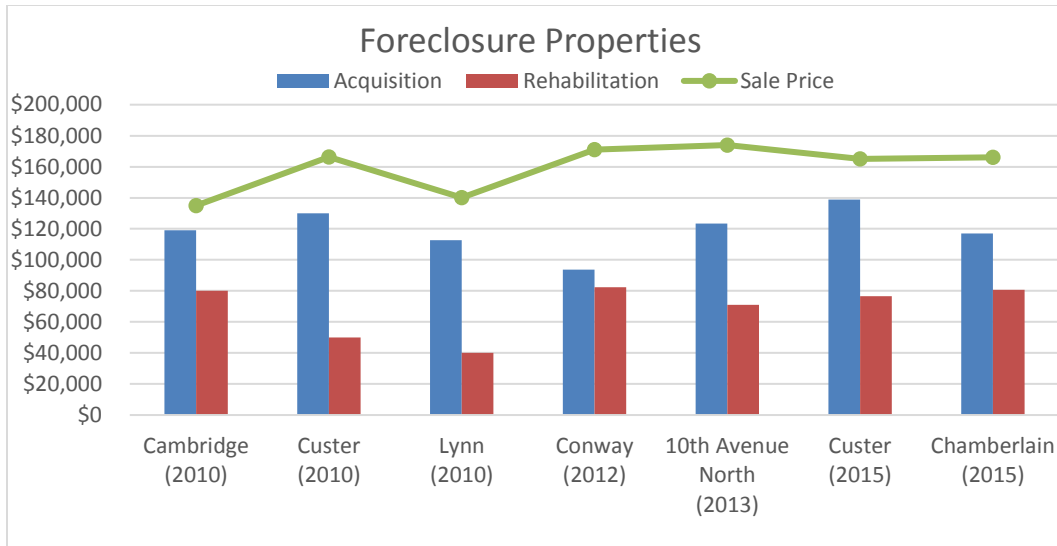


*Left Axis relates to Construction, Building, and Materials costs in bar chart format.
Right Axis relates to Skilled and Common Labor costs in line trend format.*

Staff notes the *Construction* and *Common Labor* costs are most relevant to housing rehabilitation estimates, as there is a current labor shortage impacting the City’s home repair programs and contractor availability. Averaging the Construction and Common Labor increases totals 15.7 percent.

By the Numbers:

- Acquisition has ranged from approximately \$94,000 to \$139,000 with an average purchase price of **\$120,000**.
- Rehabilitation and appliance costs have ranged from \$40,000 to \$83,000 and average just under **\$70,000**.
- The increase in appraised home value after rehabilitation ranges from 13 to 84 percent with an average of **33 percent**.
- Sales prices have ranged from \$135,000 to \$174,000 and average at approximately **\$160,000**.
- The City has been repaid **\$578,000** in proceeds from the sale of the properties and this funding was reinvested in the purchase of subsequent properties.
- The City maintains liens on assisted properties totaling **\$414,000** which will be returned to the City for reinvestment in the program when the properties are refinanced or sold.
- Staff has reviewed a total of 17 foreclosed properties since 2015; 11 of the properties were valued over \$150,000.



Dates refer to year of acquisition.

ⁱ The Engineering News-Record uses various formulas from 20 cities to track cost indexes using a labor hours plus the cost of steel, cement, and lumber. For more information, please refer to their website at http://www.enr.com/economics/historical_indices.