



Legislation Text

File #: 09-0955, Version: 2

Resolution to Allocate \$245,000.00 in Neighborhood Stabilization Funds to Community Housing Alternatives for Homebuyer Acquisition of Affordable Housing (\$245,000.00 NSP)
Attached for your review and approval is a resolution to allocate \$245,000.00 in NSP funds to Community Housing Alternatives (CHA) to assist low-mod income homebuyers to acquire and rehabilitate affordable housing and to approve the Housing Affordability Agreement. CHA will work with homebuyers, who will receive up to \$50,000.00 per household to purchase and rehabilitate the home, and the homebuyer will leverage the City’s NSP funds with cash and a private mortgage.

CHA will work with pre-qualified homebuyers to acquire houses in NSP eligible census tracts and oversee rehabilitation work, if needed. The City will place a mortgage on the house at the time the homebuyer purchases the home, in second lien position behind a private lender’s mortgage, if applicable. The per house allocation of \$50,000.00 may include up to \$15,000.00 in down payment and closing cost assistance for the homebuyer, depending on the total development costs and the homebuyer’s financial situation. CHA will receive a standard developer fee from the City as a fee for service for administering the program that will not be included in the buyer’s loan.

The City’s loan will be a 0% interest 20-year lien with an equity-sharing recapture formula at the time of sale or transfer of the property. If the homeowner lives in the home for 20 years, the lien will be forgiven and discharged. If the homeowner sells or transfers the home before 20 years have expired, the amount the homeowner repays is based on a formula that takes into account the percent of the City’s initial investment, the change in appraised value, and the proceeds available.

Recapture Formula Scenarios:

Initial Appraised After Rehab Value (IARV)	\$90,000
Initial Purchase Price (IPP)	\$75,000
City NSP investment (\$15K DPA & \$20K Rehab)	\$35,000
City NSP investment as percent of IARV	39%

Scenario 1: Sold 10 years later with significant increase in value

Appraised Value (AV)	\$200,000
Increase in Appraised Value (AV - IARV)	\$110,000
39% of Increase in Value	\$ 42,900

\$42,900 is greater than \$35,000, so the homeowner repays \$42,900

Scenario 2: Sold 10 years later with moderate increase in value

Appraised Value (AV)	\$150,000
Increase in Appraised Value (AV - IARV)	\$ 60,000
39% of Increase in Value	\$ 23,400
Net proceeds	\$ 80,000

\$23,400 is less than \$35,000 and the net proceeds are greater than \$35,000, so the homeowner repays \$35,000

Scenario 3: Sold 10 years later with decrease in value

Appraised Value/Sales Price	\$85,000
Owner Private Mortgage Lien repayment	-\$60,000
Owner initial cash investment	-\$ 1,000
Closing Costs and Realtor	-\$ 6,000
Balance	\$19,000

\$19,000 is repaid instead of \$35,000

CHA's primary target is households between 60% and 120% of Area Median Income (AMI). Homebuyers between 30% AMI and 60% AMI will be served by Habitat for Humanity. The Washtenaw Housing Education Partners (WHEP) will provide a minimum of 8 hours of homeowner education that can include counseling, financial literacy classes, credit repair assistance, home maintenance classes and help applying for down payment assistance from other funders.

This project is consistent with the City's Consolidated Strategy and Plan. The City Attorney's office will review the legal and contractual documents to ensure that CHA will comply with the requirements in the NSP regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations.

On February 24, 2009 the Urban County of Washtenaw, of which the City of Ann Arbor is a member, reviewed CHA's application for funds and recommended approval of \$245,000 in City of Ann Arbor NSP funds, \$561,124 Urban County NSP funds and \$16,000 in Urban County HOME funds.

Effective September 9, 2009, the NSP budget reflects \$605,000 in uncommitted and available funds.

The Office of Community Development recommends City Council approve the \$245,000 NSP contract with CHA, who will ensure that the homebuyer's loans are a 0% interest, 20-year term, deferred payment loan, with repayment upon sale or transfer of the property based on a formula approved by MSHDA and summarized above. The homebuyer loans will be forgiven and discharged after 20 years.

Community Housing Alternatives received Living Wage and Human Rights approval on August 7, 2009.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director and Jayne Miller, Community Services Administrator

Whereas, An application was received in January, 2009 from Community Housing Alternatives for funding to assist low-mod income homebuyers acquire and rehabilitate affordable housing;

Whereas, The homebuyer will leverage cash and a private mortgage; and

Whereas, This project will provide affordable housing for households between 60% AMI and 120% AMI, which is consistent with the City's Consolidated Strategy and Plan;

RESOLVED, That City Council approve the allocation of \$245,000.00 in NSP Funds to Community

Housing Alternatives to assist low-mod income homebuyers to acquire and rehabilitate affordable housing, contingent upon environmental review, completion of homebuyer education, and verification that the buyer is income qualified; with the homebuyer's loan based on a formula approved by MSHDA;

RESOLVED, That as a condition of loan disbursement, Community Housing Alternatives and the homebuyer will execute a housing Affordability Agreement for each house acquired, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the Mayor and City Clerk are hereby authorized and directed to sign a Housing Affordability Agreement with Community Housing Alternatives and the homebuyer, consistent with this Resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

RESOLVED, That the City Administrator, or his designee be authorized to take necessary administrative actions to execute any documents necessary to complete this transaction and to implement this resolution.

As Amended by Ann Arbor City Council Resolution R-10-083 on March 15, 2010