CITY OF BOULDER
CITY COUNCIL AGENDA ITEM

MEETING DATE: February 19, 2019

AGENDA TITLE: Discussion and feedback on an approach to developing a potential shared equity pilot program to help middle-income Boulder workers or residents to purchase a home.

PRESENTERS
Jane S. Brautigam, City Manager
Bob Eichem, Chief Financial Advisor
Kurt Firnhaber, Director of Housing and Human Services (HHS)
Jay Sugnet, Senior Planner (HHS)

EXECUTIVE SUMMARY

City Council prioritized the Middle Income Downpayment Assistance pilot project at the January 2018 retreat. This decision was based on work that was done to address the loss of middle-income households in Boulder, as documented in the Middle Income Housing Strategy and adopted by council in fall 2016. In response to this trend, council members Weaver and Yates crafted a white paper describing a potential down payment assistance pilot titled *A Shared Equity Model for Middle-Income Affordable Housing Home Ownership in Boulder* (**Attachment A**). Staff expanded upon this white paper with additional background research and drafted a clear problem or "why" statement and a purpose statement. Staff is seeking council direction to determine if a pilot should move forward. If the direction is yes, staff requests direction on options for financing the pilot and the approach to community engagement.

"Why" Statement

Boulder is doing well building and preserving housing for low and moderate-income households (30-60 percent of Area Median Income (AMI)). The city currently has 7.5 percent of its housing stock as permanently affordable and expects to achieve the goal of 10 percent in the next several years. However, it is increasing difficult for middle-income households (60-120% of AMI) to purchase a home in Boulder. This is a result of housing prices outpacing income growth for many years, leaving many middle-income households priced out of home ownership in Boulder.

Purpose Statement

Create a program to assist middle-income Boulder workers or residents to purchase a home. The goal is to preserve economic diversity in the city and potentially reduce in-commuting.

QUESTIONS FOR COUNCIL

1. Should the development of a pilot move forward?
2. If yes, which one of the 6 funding options should staff pursue to initiate the pilot?
3. Does council have feedback on the why statement, purpose statement and the current approach to community engagement?

BACKGROUND

Homeownership Challenges in Boulder

The median sales price for a detached home in the City of Boulder reached $919,525 at the end of 2018. The median price of an attached home (condo or townhome) was slightly more attainable at $435,000 (Boulder Area Realtors Association). Home sales price growth has outpaced wage growth resulting in more households being priced out of the Boulder housing market. Below are a few findings from the Middle Income Housing Strategy adopted by council in late 2016:

- Housing prices rose 31 percent between 2015 and 2016 alone;
- Although middle-income households could afford 99 percent of city's rentals in 2016, only 67 percent of attached homes and 17 percent of detached homes for sale were affordable[1]; and
- The inventory of homes affordable to middle income households decreased over the previous 15 years, with just 72 single-family detached homes affordable to middle income buyers in 2015 compared to 239 in 2000, and 262 attached homes affordable to middle income buyers in 2015, compared to 515 in 2000.

Objective of a Pilot Program

The program involves a deal between the city and the homebuyer. The city will use its bonding capability (or some other mechanism) to create a pool of funds to assist middle-income home buyers to purchase a home in exchange for making that home permanently affordable through a deed restriction. The deed restriction is a contractual obligation recorded with the deed filed with the county which stipulates a maximum annual appreciation for the property. It is anticipated that this deal will only be attractive to those who wish to live in Boulder and are willing to forego market-rate appreciation, which over the long run will likely be higher than the deed restriction appreciation cap. It is anticipated that the program will be of interest to households that may not be able to assemble a down-payment large enough, or make monthly payments high enough, to afford to buy a home in Boulder.

[1] A home is considered 'affordable' if a household spends no more than 30 percent of income on rent or mortgage.

Mechanics of a Pilot Program

What follows is an illustrative example as described by council members Weaver and Yates based on discussions with local industry experts. The income-and asset-qualified purchaser locate a home to buy which is below the median price for that type of housing. However, the buyers' income is only enough to qualify for a first mortgage from a commercial lender for 67 percent ($400,000) of the value of the home ($600,000), and they have a down-payment of only 10 percent of the home value ($60,000). This leaves the buyers with a gap of 23 percent of the home value or $140,000. Under the proposed pilot, the city receives their application, agrees with the bank that they are credit-worthy for the monthly payment, and that the home qualifies. The city then provides the 23 percent of the home value towards the purchase in cash as part of the transaction, and through contractual agreements, receives a 23 percent share in the equity ownership of the home. The other part of the contractual agreement with the buyer is that the future sale price of the home has a maximum per year annual appreciation.

In this example, the annual appreciation rate of 4 percent is assumed. This shared equity arrangement continues until the home is sold, at which time the city receives its principal, as well as its share of the 4 percent annual appreciation. A potential option for the program design is that Boulder be guaranteed its 4 percent annual rate of return regardless of whether the home appreciates at 4 percent per year or not – this puts all the risk on a sub-4 percent appreciating real estate market onto the buyer. With the sale, the city financial position is restored, and these funds can be deployed for another home purchase, or to pay off the bond-holders that supplied the funding. According to the proposal from council members Weaver and Yates, the only cost to the city will be the opportunity cost for the funding (which could be financially small), but the great benefit is that another home has become permanently affordable to middle-income buyers. If the bonds are set up correctly such that the annual bond rate is roughly equal to the appreciation cap (in this example 4 percent), this program to preserve middle-income housing affordability could be run with no significant cost to the city.

Staff Notes on Mechanics of a Pilot

It is important for staff to note that the above example assumes 4 percent appreciation. The city's current affordable homeownership program has allowed an average annual appreciation rate of 1.92 percent over the past 10 years. This lower appreciation rate may be less attractive to middle-income homebuyers; however, a 4 percent appreciation would likely require additional city subsidy to a future purchaser of the home – the reason is that incomes have increased faster than allowed home appreciation (i.e., Area Median Income has increase 2.12 percent over the same 10-year period).

The city has benefited from nearly constant annual increases in the property values for many years. Even during the great recession values dipped for a very short time and then recovered quickly. This was not what happened in much of the rest of Colorado and the United States. In many areas assessed valuations dropped by 20 to 30 percent or more. If such a drop would ever occur while this program was in place there is the possibility the actual appreciation would be less than the expected appreciation percent.

If this program is to be sustainable, any initial funding of the program, whether from fund balance, annual revenue sources, or some form of debt (which then requires debt service payments from some revenue source) will be a cost to the city (see more details below in the Funding Options section). With a deed restriction and the ongoing need for middle income down payment assistance, it is expected that the city's share of proceeds from future sales (including appreciation) may need to be used for the subsequent buyer to enable them to afford the same property. If debt service payments need to be made on the original funding, this issue is more relevant. Staff will continue to research this issue to understand if the pilot can be structured so that future subsidies to the same property are not required.

Boulder's Current Down Payment Assistance Program

Boulder currently has a shared equity assistance program called H2O (House to Home Ownership Down Payment Assistance Loan) which promotes home ownership by providing a second mortgage on a home (limited to 15 percent of the purchase price or $50,000, whichever is less) that is paid back after 15 years or the time of sale PLUS a percent of the appreciation earned since the purchase. The program does not include a requirement for permanent affordability and is limited to households earning less than 80 percent of Area Median Income (AMI). The AMI severely limits the pool of eligible applicants due to the limited number of homes that would be affordable in Boulder even with assistance. Since 2014, only three H2O loans have been issued. One option is to modify the current H2O program to include the elements as discussed in this memo (see Funding Options section below).

Comparative Research

Staff conducted research on down payment assistance programs in other cities. Many of these cities have programs with the following common elements:

- Most are low, deferred or no interest second loans, however a few are in the form of grants that do not require repayment (Cambridge, Denver, CHFA);
- Few include a shared equity model (Eagle Co., Boulder);
- All establish a maximum total loan amount and/or a maximum of the percent of the purchase price;
- Most require households to meet eligibility requirements (income and asset limits); and
- Some require homeownership education.

There are many ways to structure the pilot. Based on research to date Boulder would be the first to require permanent affordability as a condition of the assistance. **Attachment B** has more details on the research completed to date and includes lessons learned from the programs that staff was able to contact.

BOARD AND COMMISSION FEEDBACK

On Oct. 10, 2018, the Housing Advisory Board provided the following feedback for council consideration:

- Support for the pilot, but it should not be pursued at the expense of programs for low- and moderate-income households in Boulder; and

- Limit the program to 120 percent Area Median Income; concern if it was higher.

On Feb. 9, 2019, Planning Board provided the following feedback:

- Support for the pilot, with similar reservations that it should not be at the expense of current city programs for low- and moderate-income households;
- Expand the pilot to households earning between 60 to 80 percent AMI;
- Don't limit pilot to first time homebuyers; homebuyers with previous experience and knowledge are better customers for a pilot;
- Limit program to households that live and work in Boulder – the pilot should be selective;
- Concern that pilot may in some way fuel the current market initially;
- Concern about a balloon payment and potential impacts of a down market on the homebuyer. Consider mechanisms for an extension or appeal based on circumstances.

FUNDING OPTIONS

A revolving fund requires initial funding dedicated to the program. The program could then be self-sustaining as homeowners sell their properties and the city receives its equity share of the sale proceeds. Those dollars could then be reinvested by the city into the next buyer of the same property or through assistance to another homebuyer.

Example of a Possible Pilot

The city initially places $1 to $5 million in a revolving fund for middle income assistance. Based on current discussions, no payback would occur until the property is sold or the homebuyer is required to return the city's equity share plus appreciation after a specific number of years. When the property is sold or at a designated payback time, the city receives its equity share plus appreciation and places it back in the revolving fund and then lends it to the next eligible borrower.

The previous section of this memo, entitled Mechanics of a Pilot Program, discusses how the pilot mechanics could work. The first financial challenge is allocating the initial funding that will be tied up and cannot be used for anything else during that time. If during that time, something would occur that could be deemed a higher priority these funds could not be accessed by the city for use. In all options the city will be second to the primary lender if there would ever be a default.

The following are sources that could be considered to provide the initial funding. No matter what method is used, staff recommends the proposed funding mechanism be discussed and prioritized for funding during the 2020 budget process. In the general fund, there are several projects that are not funded and will be competing for the same pool of money. Six options for funding the initial amount are:

1. <u>Convert the Existing H2O Program</u>. There is currently $829,088 available in the current H2O program with an additional $155,640 currently on loan (that will be returned to the fund once the loan is paid back) for a total of $984,728. The current program parameters

could be adjusted based on the content of this memo. This would be the quickest path to implementing council's desire for a shared equity down payment assistance program pilot. These funds could also be supplemented through one the five options discussed below.

2. General Fund Reserves. The Affordable Housing Fund has committed most of the current reserves for existing and planned affordable housing developments, so the major portion of the funding would fall to the general fund reserves. Depending on the amount that would be needed would determine the impact on the general fund reserve level. Reserves are one-time money, and serve as buffers during natural disasters, economic downturns, and other unexpected cashflow needs. Determining the amount during the 2020 budget process would allow this project to be prioritized against other projects.

3. Annual Budget Allocation from the Housing and General Fund. The target amount would be funded each year during the annual budget process. It would be prioritized against other housing and general fund priorities. This would establish an ongoing method for funding the pilot and an ongoing program with current funding. If adequate funding would not be available, it may require trade-offs by reducing or eliminating other housing or general fund programs.

4. Voter Approved Debt. This allows the city to borrow a certain amount of money to be paid back over time. To comply with Taxpayer Bill of Rights (TABOR) requirements voters must approve any debt amounts to be paid back over multiple years.

   Example: Twenty million is borrowed, for 25 years at five percent – the annual estimate to pay back the bonds would be $1.6 million annually. Voters would have to approve the sale of the bonds. If a new revenue was being requested to make the annual payments voters would have to approve it too. If the annual payments are to be paid out of current revenues (not asking the voters for a new stream of money to pay for the debt service) for 20 years the ballot question for the new debt would say, without a tax increase may the city borrow 20 million. Depending on the type of bond issued there may need to be a bond reserve fund established which would be approximately $1.6 million (one year's annual payment). The bonds would be taxable since the benefit accrues to an individual instead of the city as a whole.

5. Certificates of Participation (COPs). These are issued without a vote or ballot question being required. COPs are a type of lease called a sale and lease back. This type of funding was used for the Alpine/Balsam purchase (annual payments on the COPS will be made by the general fund until they are paid off in 2037). In this type of transaction, the title to the collateral (normally real property near in value to the amount of the COPs being issued) is transferred to an independent trustee to hold while the COPs are outstanding (the amount of the collateral can be reduced as the payments are made). Finding acceptable collateral is a challenge due to the scarcity of collateral the city has available in the general fund.

The proceeds from the COPs are used at the seed money for the revolving funds. They would be issued as taxable COPs since the benefit accrues to the individual instead of the city. It is expected that the annual debt service would be approximately $1.7 per year. It is unknown at this time if a reserve fund would be required.

6. Line of Credit or City Funds a Loss Reserve Fund. The city provides a line of credit (LOC) or guaranteed loss reserve fund (LRF) if the lender for the assistance program is someone other than the city. Under either option, an outside lender would fund the amount in the assistance program and the city would provide a line of credit or fund a guaranteed loss reserve fund for the amount of the assistance loans.

   It is the city Bond Counsel's opinion that if a LOC or LRF are used without authorization from the voters (via a ballot item) the LOC or LRF would have to be fully collateralized by the city to meet TABOR requirements. The city would have to set aside 100 percent of the LOC or LRF amount in a separate bank account and appropriate the amount set aside on an annual basis. If council is interested in this option staff will meet with lenders who have expressed an interest in using this method and do further research regarding TABOR compliance. The major downside of using this option is that the city would need to set 100 percent of these funds aside and would not be able to use the funds for another city need.

PROPOSED PROCESS

If directed by council, staff will continue the proposed process as described below.

1. Complete Foundations Work — July - December 2018

Conduct a review of other down payment assistance programs (e.g., Los Angeles, San Francisco, Denver, Boulder County, etc.) to understand the different types of programs that are currently deployed and, to the extent possible, how those programs are working.

Deliverables: Initial workplan and schedule; Comparative research.

2. Identify Program Parameter Options — January - April 2019

There are several questions that need to be answered in the design of the pilot. These include:

- **Who will qualify for the pilot**?
  - Income. Since residents who are making significantly more than the Boulder Area Median Income, by definition, need little assistance (and would probably not want to forego market-rate appreciation), the program could focus on those making less than a certain threshold of AMI (e.g., 120% AMI equates to a household of three earning $117,360 in 2018).
  - Live or work requirement. Does the city require a homebuyer to live or work in Boulder? Or require a minimum period of time to live or work here?
  - First time homebuyer. Does the city limit the program to first time homebuyers?

- **What homes will qualify**? The city does not want to assist with the purchase of luxury housing, so the residence to be purchased could be limited to those below the median home price of that category of housing (single-family, attached, townhouse, etc.).

- **What is an appropriate rate of appreciation for the home to remain affordable over time**? There is a delicate balance between making the program attractive to middle-income homebuyers by allowing higher appreciation and ensuring the home remains affordable for future homebuyers.

- **Should the pilot require a balloon payment**? There may be a concern with tying up city funds for long periods of time. Currently, the average tenure in affordable homes is 7 years. However, to avoid tying up funds that may be needed for other housing programs, the program could require that the city's equity (plus appreciation) be bought out after 7, 10 or 15 years.

- **Should the pilot require an inspection process**? The city's current affordable homeownership program requires an inspection to ensure the home meets basic livability standards. This would help to avoid using city resources to finance the purchase a home that cannot be resold at some time in the future without potentially significant additional city investment.

- **How are home improvements addressed**? The city's current homeownership program allows a homeowner to receive additional equity in a home for capital improvements (e.g., finishing a basement, replacing carpet with a more durable surface, etc.). The city's current policies in the Homeownership Program Owners Guide is a potential model for the pilot.

- **Should the city partner with specific lenders to implement the pilot**? The city could work with a group of pre-qualified mortgage lenders to create efficiencies. Most importantly, this could make purchasers more competitive when making offers. However, it could also limit the pool of potential lenders involved in the program.

Staff will continue discussions with industry experts and convene 1-3 formal meetings to gain further insight into the potential options for pilot development. Staff will also finalize the statement of work that follows the 9 steps of Boulder's decision-making process from Boulder's Engagement Strategic Framework.

Community Outreach. Create a project webpage with background information; conduct additional meetings with industry experts to identify program parameter options.

Deliverables: Project webpage; summary of meetings with experts.

3. Board and Council Consideration — May - June 2019

Staff will prepare a memo and all necessary elements of creating a down payment assistance program (including a promotional plan). Staff will present the memo to the Housing Advisory Board and Planning Board for input prior to council.

City Council. Acceptance of new or revised down payment assistance program.

Deliverables: Adopted program and promotional plan.

NEXT STEPS

Based on council direction on whether to pursue a shared equity down payment pilot program and most importantly how to fund a pilot, staff will continue to consult with industry experts, city boards and commissions and interested stakeholders to develop a pilot for council consideration. If council chooses to repurpose the current H2O down payment program, staff will return on Jun. 4 with an updated program. If council chooses one of the five other funding options, staff recommends that funding for a pilot program go through the 2020 budget process. If the funding is approved by council in the budget process the pilot funds could be available at the start of 2020.

ATTACHMENTS

A. A Shared Equity Model for Middle-Income Affordable Housing Home Ownership in Boulder
B. Home Purchase Assistance Programs – Comparative Research

A Shared Equity Model for Middle-Income Affordable Housing Home Ownership in Boulder

A way to produce permanently affordable housing from existing homes with willing partners

By Sam Weaver and Bob Yates

The ideas presented here are not all our own, as we have been discussing the concept of this program for a number of years, trying to refine it to a system that is scalable and produces middle-income, permanently affordable housing in Boulder. As we know (and consultants report to us), Boulder is doing OK at building and preserving housing for those with the lowest incomes, 30% to 60% of Area Median Income (AMI). Our goal is 10% of our housing stock affordable at those levels and somewhat above – we are at around 8% currently. However, as we know, we are seeing increasing difficulty for middle-income residents to be able to afford to purchase a home in Boulder. This is because housing prices have been outpacing income growth for many years, and this is a national problem in many desirable urban areas. Boulder is no exception, and is the most expensive non-resort town in Colorado. The lower end of the middle-income range is being completely priced out of home ownership in Boulder.

This short overview is focused on a program to help middle-income Boulder workers or residents to purchase a home. The program involves a deal between the City and the homebuyer(s). The City will use its bonding capability to create a pool of money to assist middle-income home buyers to afford a home, and in exchange that home will be made permanently affordable through a deed restriction. The deed restriction is a contractual obligation recorded with the deed filed with the County which stipulates a maximum annual appreciation for the property. This deal will only be attractive to those who wish to live in Boulder enough that they are willing to forego market-rate appreciation, which over the long run will likely be higher than the deed restriction appreciation cap. We expect this is likely to be the population that would never be able to assemble a down-payment large enough, or make monthly payments high enough, to afford to buy a house or condo in Boulder.

The ultimate goal of such a program is to preserve economic diversity in the City of Boulder, and potentially to reduce the in-commuting load. The means that this program uses to reach the goal is to provide funding through market mechanisms in which some existing housing stock is preserved as affordable to middle income earners and below for ownership. This program does not address rental housing. Boulder currently has a smaller-scale program called H2O which promotes home ownership by essentially providing a second mortgage on a home that is paid back at some point, but does not include on-going mortgage payments nor permanent affordability. This program is not popular, serving only a handful of buyers each year.

To build our proposed program, we will need to first define who will qualify for the program. Since residents who are making significantly more than the Boulder Area Median Income, by definition, need little assistance (and would probably not want to forego market-rate appreciation), the program will focus on those making **less than a threshold of (say) 120% of AMI.** The exact amount should be specified through a political and technical discussion. Similarly, we do not want to be assisting with the purchase of luxury housing, so to qualify for consideration in this program, the residence to be purchased will be **below the median home price of that category of housing** (single-family, attached, townhouse, etc.). Those two guidelines (**perhaps with a requirement that the applicant have lived or worked in Boulder for some period of time, and perhaps limited to first-time homebuyers**), would define the pool of potential applicants.

The next consideration is how the mechanics of the home purchase will work. What follows is an illustrative example. The income-and asset-qualified purchaser(s) have located a home they want to buy which is below the median price for that type of housing. But, the buyers' income is only sufficient to qualify for a bank loan for 67% ($400,000) of the value of the home ($600,000), and they have a down-payment of only 10% of the home value ($60,000). This leaves the buyers with a big gap of 23% of the home value or $140,000. Under the proposed program, the City receives their application, agrees with the bank that they are credit-worthy for their monthly payment, and that the home qualifies. The City then provides the 23% of the home value towards the purchase in cash as part of the transaction, and through contractual agreements, receives a 23% share in the equity ownership of the home. The other part of the contractual agreement with the buyer is that the future sale price of the home can have no more than a (say) 4% per year annual appreciation. This shared equity arrangement continues until the home is sold, at which time the City receives its principal, as well as its share of the 4% annual appreciation. A potential option for the program design is that Boulder be guaranteed its 4% annual rate of return regardless of whether the home actually appreciates at 4% per year or not – this puts all of the risk on a sub-4% appreciating real estate market onto the buyer(s). With the sale, the City financial position is restored, and these funds can be deployed for another home purchase, or to pay off the bond-holders that supplied the funding. The only cost to the City has been the opportunity cost for the funding (which could be financially small), but the great benefit is that another home has become permanently affordable to middle-income buyers. If the bonds are set up correctly such that the annual bond rate is roughly equal to the appreciation cap (in this example 4%), this program to preserve middle-income housing affordability could be run with no significant cost to the City of Boulder.

There are a myriad of questions that arise when we describe this program to interested parties. We will address a few:

1) **Will buyers take advantage of this program? They did not too much in the 1990's and 2000's.**

Personally, we think the answer is 'yes'. Times have changed a LOT since the 1990's and 2000's, when home costs were lower, down payments were lower, and the market appreciation was so high that there would have to be a big incentive not to take any deal that required limiting appreciation. But the proof is in the pudding – our thought is to run a limited pilot to see how popular a larger program would be, and if it is not popular it stops; if it is popular Boulder goes to the bond markets for substantial funding to expand the program.

2) **Will banks go along with this program, since there are other parties involved?**

From discussions we have had with national housing experts, we believe the banks consider this to be an acceptable arrangement. We will be exploring this further, but since the buyers will not have to make monthly payments on what is essentially the City-owned equity, and since both the bank's and the city's loans will be secured by mortgages on the property (with the bank in the first position), we expect this arrangement to pass lender muster. As far as loan-to-value, either way it would be calculated (with City ownership of a portion, or without) the standard guidelines would typically be met. So, yes, we think this will work from the bank loan side.

3) **What about home improvements? Buyers will not want to keep up these homes if they do not re-coup the value from the improvements.**

This is a very important point. We can deal with this through establishing the basis (purchase price) which can only appreciate at (say) 4% per year, and keeping track of material non-maintenance improvements (a room addition, a kitchen remodel, etc.) which increase the value of the home. These substantial improvements can be accounted separately from the basis, and the value of those improvements can be allowed to appreciate at market rates, ultimately rewarding the owner at the time of a sale. Since a major portion of the value of the property is in the land value, the homes will still remain substantially affordable even with a (relatively small portion) appreciating at market rates.

4) **Once owners are in this program, they will never have any incentive to leave, so the funding will be tied up forever.**

This is also an important point, but we can test its validity. One approach is to try it and see if the normal life circumstances, career advancement, etc., keep the turnover at around the 7 year average occupancy duration we currently see. If, however, program participants are effectively tying up needed funds for new program houses, a balloon element can be added. This would require a home re-finance (or sale) at, say, 7 or 10 years after the City contribution, after which the City principal and appreciation are returned to go to work on a new purchase.

5) **Will the bond markets be interested?**

Again, we think the answer is 'yes'. We believe these could be tax-free municipal bonds, effectively increasing their yield over whatever market appreciation rate is allowed for the underlying residential appreciation. We can easily find out as we study and prepare for a pilot program.

6) Have other cities implemented programs like this one?

Yes, San Francisco and Los Angeles both have similar programs. The main distinction between this program proposal and the ones in other cities is that permanent affordability is achieved with this proposal, while in the other cities market rate appreciation is allowed.

In summary, we have worked on this idea with many partners, including fellow Council Members and City staff Bob Eichem and Kurt Firnhaber. We welcome comments from the community, and hope to find proposal weaknesses or hear about potential program improvements from the Boulder community.

HOME PURCHASE ASSISTANCE PROGRAMS – Comparative Research

The following are local and national examples of homebuyer or down payment assistance programs that could inform a potential middle income down payment assistance pilot in Boulder.

San Francisco, California

Downpayment Assistance Loan Program (DALP) to qualified low and middle income first time homebuyers earning up to 175% AMI. http://sfmohcd.org/downpayment-assistance-loan-program-DALP

Loan Amount

Up to $375,000.

Loan Terms

- A silent second loan
- Repayment is due on sale, title transfer, first mortgage repayment, or in 30 years
- Downpayment: Borrower must contribute a minimum of 5% (2.5% from borrower's own funds, and remainder from gifts or grants).
- Liquid Assets: Borrower must have no more than $300,000 prior to purchase, and no more than $60,000 after purchase.
- Reserves: Borrower must have a minimum of 3 months reserves (principal, interest, property taxes, hazard insurance and homeowner's association dues)

Other

There is a $601 loan application fee and a lottery system to distribute the funds.

Los Angeles, California

Moderate Income Purchase Assistance (MIPA) program for moderate income first time home buyers. http://hcidla.lacity.org/help-moderate-income-first-home-buyers

Loan Amount

Up to $60,000 is available for homebuyers earning between 81-120% area median income (AMI) and up to $35,000 for homebuyers earning between 121%-150% AMI.

Loan Terms

- Deferred, requiring no monthly payments
- Loans have a Shared Appreciation component in which the City will share a certain percentage of the appreciation in the value of the property. For an example of Shared Appreciation, click here
- Repayment is due on sale, title transfer, first mortgage repayment, or in 30 years

Cambridge, Massachusetts

Downpayment and closing cost assistance to income-eligible first-time homebuyers.
www.cambridgema.gov/~/media/Files/CDD/Housing/ForApplicants/hsg_downpayment_assist_20160404.pdf?la=en

Loan Amount

Eligible buyers receive assistance of up to 6% of the purchase price, or $10,000, whichever is greater.

Loan Terms

- The loan is forgivable over time (20% of the funding is forgiven each year over a five-year period provided the buyer uses the home as their residence
- First-time Homebuyers only
- Meet income eligibility requirements with a household income of no more than 80% of HUD Area Median Income
- Purchase a single-family home, condominium, or two or three family home in the City;
- Be unable to purchase the home without assistance;
- Reside in the purchased property as their only residence;

Boulder County, Colorado

Boulder County Down Payment Assistance Program provides down payment and closing cost assistance to first-time home buyers purchasing a home in Boulder County (**outside of the city limits of Boulder**). The vast majority of loans are in Longmont.
www.longmontcolorado.gov/departments/departments-e-m/housing-and-community-investment/housing-programs/down-payment-assistance-program

Loan Amount

Up to 8.5% of the purchase price may be borrowed. For households earning between 51-80% Area Median Income (AMI): 3% interest loan amortized over 10 years. For households earning below 50% Area Median Income (AMI): Deferred loan. No monthly payments, and 4% simple interest is charged for the first 10 years.

Loan Terms

- Gross household income must be at or below 80% area median income and meet asset requirements;
- Be a first-time home buyer (have not owned a home for the past three years);
- Exceptions are made for those who have been divorced within the past 3 years;
- Complete a Home Ownership Training Course;
- Total combined housing debt (first mortgage and all subordinate financing) may not be more than 100% of the value of the property at the time of closing;

- Contribute a minimum of $2,000, or 1% of purchase price (whichever is greater) of own funds (lenders and/or developments may require more);
- Purchase price and/or appraised value may not exceed $322,000;
- Payment (principal plus interest) is due at sale, change of ownership, or refinance of property.

Lessons Learned:

- Only one loan in past three years – program has inspection requirements that puts buyers at a disadvantage compared to other purchasers.
- Removed the $15K cap but kept the 8.5% limit – would like to be able to loan more.
- Can't increase AMI levels due to federal funding restrictions

Denver, Colorado

The Metro Mortgage Assistance Plus Program is a special grant program for low and moderate-income households to help with the purchase of a home. In 2013, Denver established a revolving pool of $30 million to support this program. At that time, any home in Denver, Arvada, Aurora, Bennett, **Boulder**, Brighton, Broomfield, Castle Rock, Centennial, Commerce City, Dacono, Edgewater, Englewood, Firestone, Golden, Lakewood, Littleton, Parker, Sheridan, Thornton, Westminster, or Wheat Ridge can be purchased through this program. Denver recently retooled the 2013 program to offer no-interest loans instead of a grant of either 3, 4 or 5% of the loan. City Council will consider continued participation in the program at their Feb. 19, 2019 meeting. www.denvergov.org/content/denvergov/en/denver-office-of-economic-development/housing-neighborhoods/ready-to-buy.html

Loan Amount

The city provides a grant for down payment and closing cost assistance of up to 3, 4, or 5% of the loan.

Loan Terms

- Requires a 30-year fixed rate mortgage;
- Income cannot exceed $125,860;
- Occupy the home as primary residence;
- No limit on the property price beyond what a purchaser can qualify;
- Minimum FICO score of 640 and a maximum debt-to-income ratio of 45;
- Complete a HUD-approved homebuyer education;
- May need 0.5% down payment (one-half of one percent of the total mortgage).

Denver also has a Mortgage Credit Certificate (MCC) program that allows qualifying borrowers to receive an annual federal income tax credit equal to 25% of the annual interest they pay on their mortgage loan ($2,000/year maximum). The tax credit enables a taxpayer to subtract the amount of credit from his or her annual total federal income taxes.

Eagle County, Colorado

Eagle County developed the Down Payment Assistance (DPA) program in 1998 to bring the benefits of homeownership to as many residents as possible. One option in the program is a shared equity model.
https://www.eaglecounty.us/Housing/Down_Payment_Assistance/Overview/

Loan Amount

There are two options:

- Equity Share Down Payment Assistance Program lends up to $15,000.
- Down Payment Assistance Program lends 4.5% of the contract purchase price or $18,140 whichever is less.

Loan Terms

- Equity Share Down Payment Assistance
  - Maximum purchase price: $600,000;
  - Eligible up to 160% Area Median Income;
  - Borrowers must be employed within Eagle County (some exceptions) with U.S. citizenship or otherwise legally in the United States on a permanent status;
  - Borrowers may not own other real estate at time of closing;
  - The purchased unit must be the borrower's primary residence while the loan is outstanding.
  - Maximum loan term is 15 years;
  - Shared equity: loans repaid in full within the initial 24-month period will include loan principal only. Repayments that occur thereafter will include loan principal plus a pro rata share of recognized appreciation (if any) based upon the percentage of the ECLF loan to the original purchase price. At time of pay off request the appreciation of the home is established by appraisal, sales price or satisfactory Comparative Market Analysis.
- Down Payment Assistance
  - Maximum purchase price is limited to 95% of the Area Median Purchase Price;
  - Eligible to between 50-80% Area Median Income;
  - Similar requirements on residency, citizenship, etc.;
  - Assets limited to one- and one-half times the household income;
  - Repayment: The loan will be repaid over a period not to exceed 30 years at an interest rate of 2.5%.

Colorado Housing and Finance Authority

CHFA offers down payment assistance options to homebuyers using a first mortgage loan program. www.chfainfo.com/homeownership/down-payment-assistance

Loan Amount

There are two options:

- Down Payment Assistance Grant – up to 4% of a first mortgage. No repayment is required.
- Second Mortgage Loan – up to 5% of your a mortgage. Repayment of loan balance is deferred until certain events, such as payoff of your first mortgage, or the sale or refinance of the home.

Loan Terms

- All borrowers must have a minimum credit score of 620 to qualify, and there may be exceptions for those individuals with no credit score.
- CHFA programs have income limits. See income limits by area.

City of Boulder, Colorado

H2O: House to Home Ownership Down Payment Assistance Loan is a shared equity model that provides a second loan to assist with a down payment.
https://bouldercolorado.gov/homeownership/homeownership

Loan Amount

The maximum loan amount is 15% of the purchase price or $50,000, whichever is less.

Loan Terms

- Household income limitation of 80% AMI ($78,240 for a household of 3);
- Asset limitation based on household size and type (e.g., $85,000 for a household of 3), retirement savings are exempt;
- There are no payments for 15 years unless the home is sold or title is transferred;
- At that time the loan is due in its entirety plus a percentage of appreciation earned since purchase.

The city also offers a popular Solution Grant that assists with down payment and closing costs for buyers of the city's Permanently Affordable homes. The grant bridges the gap between money the buyer has available for down payment and closing costs and the minimum required to close. It is limited to households with less than $15,000 in assets.

Lessons Learned:

- Initial Investment of $709,654
    - 83 loans closed for $2,278,278 in production (Average Loan Amount: $27,449)
    - 78 loan repayments (94% repay)
    - 0 Losses
    - 94% of loans originated 2000-2012
- Only three loans in past four years – the 80% AMI limit is the primary factor.
- The program allows home improvements to be factored into the sales price – good model to follow for any new program to ensure ease of implementation.

University of Colorado

The University of Colorado, the University of Colorado Foundation and the Elevations Credit Union partner together to offer the Faculty Housing Assistance Program (FHAP). This need-based program is designed to: attract and retain faculty by improving the affordability of their primary residences; provide support for new faculty who have very limited access to cost-effective financial capital resources; and offer financial housing assistance to faculty from all campuses. www.cu.edu/treasurer/faculty-housing-assistance-program-0ogram

Loan Amount

The lesser of either 25% of the purchase price or $80,000.

Loan Terms

Two options:

- A loan provided by the Credit Union and guaranteed by the University of Colorado Foundation, (CU Foundation) secured by a second deed of trust, with a variable interest rate.
- A loan provided by the University of Colorado, secured by a second deed of trust, and where in lieu of interest being paid, the University is paid a share of any appreciation in the value of the home purchased with the loan upon the loan’s maturity or termination.

*Stanford offers a similar program for faculty and staff from the university endowment.

Vail, Colorado

Vail InDeed is a program is designed to preserve housing for Vail residents and workers. In exchange for a negotiated amount of compensation, a property owner agrees to a deed restriction that requires the home to be the primary residence of a person that works a minimum of 30 hours per week in Eagle County. There are no other restrictions in terms of appreciation and the home is exempt from the real estate transfer tax. www.vailindeed.com

Landed

Landed helps essential professionals (starting with educators) build financial security near the communities they serve. Founded in 2015 because they saw how essential professionals struggle to live in the Bay Area. In expensive cities, high land prices prevent individuals from becoming the long-term residents our communities depend on. They match the homeowners Downpayment of 10% with a no interest loan in exchange for shared appreciation of the property. www.landed.com

Loan Amount

10% of the purchase price.

Loan Terms

- Be an employee of a participating institution, who has worked there for at least two years.
- Qualify for a mortgage with one of Landed's participating lenders.
- Contribute at least 10% towards the purchase of the home.
- Be used as a primary residence for at least the first year.
- Located within an eligible area (currently school districts in and near San Francisco, Denver, Los Angeles, and Seattle).
- Agree to stay with your current employer for at least the next two years.
- Landed is paid a percentage of the realtor's fee and a share of any appreciation in the value of the home purchased with the loan upon the loan's maturity or termination.

Colorado Teacher Housing Grants

The Teacher Next Door program is a national program designed to increase home ownership among teachers, support community development and increase access to affordable housing free from discrimination. The program is intended to eliminate confusion by streamlining the home loan and home buying process and by matching the individual with the best program available, based upon the specific needs of the teacher and their family.

The program now includes many public service professionals, including police officers, firefighters, nurses, medical professionals, government workers and others. A Teacher Next Door agent helps the homeowner locate the right home, negotiates the lowest price possible, and handles all of the purchase, finance and closing paperwork.
https://www.teachernextdoor.us/Colorado-Housing-Grants

Loan Amount

Housing grants of up to $4,170.00 and down payment assistance of up to $10,681.

Loan Terms

- Purchase ANY home on the market