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CITY OF GAINESVILLE

Department of Community Development

To: Tom Saunders
Community Development Director

Date: May 25, 2000

From: Kathy Winburn, AICP *KW*
Senior Planner

Subject: Home Ownership Incentive Programs

Per requests of the Code Enforcement Committee and College Park/University Heights Advisory Board, I have researched programs that other cities and universities have instituted to provide incentives to employees to purchase a home in certain neighborhoods.

Staff has done an extensive Internet search to identify other cities with home ownership incentive programs. It was discovered that the City of East Lansing, Michigan, is one of the few cities in this country with such a program. The East Lansing planner who administers the program recently indicated in a phone conversation that the city has received many calls from other cities interested in this program. It appears that the East Lansing program has become a model for other cities. The planner indicated that the program was adapted from a local hospital's program to encourage employees to live closer to the hospital.

The following is a brief description of the East Lansing program and the programs of several universities. All of the programs provide financial incentives or loan packages to employee to reside in certain areas. Attached is a full description of the East Lansing program and information on the Yale University Employee Homebuyer Program.

1. City of East Lansing, Michigan Employee Home Ownership Program.

The program objectives include stabilizing and encouraging reinvestment in older neighborhood near downtown and to encourage participation by city employees in neighborhood activities and associations. The program provides a forgivable loan for purchases of homes within a certain geographic area. Loans of up to \$10,000 can be used for down payment, pre-paid reserves and for closing expenses in a certain geographic area, and up to \$6,000 within the city limits itself. Twenty percent of the loan principal is forgiven on each anniversary of the loan. Employees who currently live in the city and who agree to place a deed restriction on their home limiting it to owner occupancy for a term of 15 years are eligible for half the amount of the loan maximums described above.

Planning Division

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The amount can be used to reduce the current mortgage or for home equity loan improvements. The Deputy City Manager is also authorized to approve a loan package with additional time off to an employee who is willing to move into the city limits or the specific geographic area.

2. Southfield , Michigan

Provides a percentage of an employee's salary to employees who choose to live within the city limits.

3. Duke University

The university sells existing and new homes to university employees on university-owned property adjacent to the campus with restrictive covenants to remain owner-occupied. Purpose is to promote home ownership as part of the neighborhood's efforts to minimize the number of rental properties, and ensure long term owner occupancy.

4. New Haven Homebuyer program

Initial program in 1994 provided 229 Yale employees with a \$20,000 benefit over ten years to assist them in buying homes in New Haven. Under the third phase of the program, which began in January 1998, the University provides a \$25,000 benefit over ten years which includes a one time bonus payment of \$5,000 in the first year which may be used for closing costs.

5. Mercer University and the Macon Heritage Foundation

In a joint effort, older homes are restored and sold with restrictive covenants to remain single-family, owner-occupied. University staff members are given 5% of the final purchase price to use for a down payment. Employees receive 5% of the final closing cost over a 5 year period if they continue to reside in the home.

6. University of Pennsylvania

Guaranteed mortgage program, in existence for 35 years to enable faculty and staff to live within walking distance of the university. According to a 1993 estimate of PFSNI (Penn Faculty and Staff for Neighborhood Issues), 4000 members of the University now live in the area and belong to a network of neighborhood organizations.

cc: Ralph Hilliard
Dean Mimms

EAST LANSING EMPLOYEE HOMEOWNERSHIP PROGRAM (EHOP)

Amended September 15, 1998

I. PROGRAM DESCRIPTION

EHOP will provide a forgivable loan to eligible full and part-time employees of the City of East Lansing who wish to purchase a primary residence on an owner occupied basis within the geographic boundaries set forth in this program. Loans of up to \$10,000 to eligible employees can be used for down payment, pre-paid reserves, and for closing expenses or as noted under Section VI(J). As long as the employee complies with the requirements of the Program, twenty (20%) percent of the loan is forgiven each year. East Lansing will also assist eligible City employees by offering liaison services with local affordable housing programs, and with lending institutions that are supportive of this Program. There are only limited funds available to support this Program, and there is no guarantee of a year to year renewal of the Program budget.

II. GEOGRAPHIC BOUNDARIES

Properties in (or abutting the boundary line when the line runs down a street) the Target Area (see Map 1) are eligible for up to a \$10,000 loan. Properties in the remainder of the City are eligible for up to a \$6,000 loan.

III. PROGRAM OBJECTIVES & PUBLIC BENEFITS

The objectives of the program are:

- A. To encourage City employees to choose East Lansing as their home;
- B. To help stabilize and encourage reinvestment in those older neighborhoods surrounding the downtown;
- C. To enhance the City's relationship with its employees and to encourage retention and stability of its work force;
- D. To encourage participation by City employees in neighborhood activities and associations.

There are a number of public benefits with this program. These include:

- E. City employees would reside closer to their employment duties and be more readily available for recall in emergencies or other job related responsibilities,
- F. Employees who are residents of the City would have better knowledge and understanding of the service needs of the City as they would also be consumers of local services.

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- G. Encouragement of a stable and motivated work force,
- H. Retention of valuable City employees.

IV. PROGRAM ADMINISTRATION

EHOP shall be administered by the City of East Lansing Deputy City Manager. The Deputy City Manager shall have discretion to:

- A. Determine the eligibility of employees for the EHOP, and
- B. Determine the terms by which loans are made to employees through the program, and
- C. Approve applications for this program.

Documents that will be supplied by the Personnel and Human Relations Department include:

- Documents explaining the EHOP Loan process
- Loan documents to qualify for the Program
- EHOP application form
- Response to applicant

Appeals of the Deputy City Manager's decisions may be made to the City Manager, whose decision shall be final.

V. ELIGIBILITY

Any full or part time City of East Lansing Employee in good standing is eligible for this Program.

All decisions concerning the eligibility of any employee to participate in the Program shall be made by the Deputy City Manager - with appeals to the City Manager. The Deputy City Manager shall, in general, follow the terms of eligibility stated herein, unless extenuating circumstances dictate otherwise. All appeals/decisions of the City Manager shall be final.

Due to the limited amount of funds available, loans will be provided to employees on a first come first served basis based on the date a complete loan application is actually received by the City of East Lansing Personnel and Human Relations Department. No application shall be deemed complete until the employee has:

- A. Been pre-qualified by the Deputy City Manager and a mortgage lender, and

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- B. Located a house, and has entered into a formal purchase agreement accepted by both seller and purchaser.

The effective date of the modified program shall be September 15, 1998.

VI. PROGRAM SPECIFICATIONS

The following are the terms and conditions of the Program:

- A. Loans to eligible employees shall be for one time only.
- B. The Program shall be limited to regular full-time and regular part-time employees.
- C. Loan funds are to be used exclusively toward the down payment, pre-paid reserves, and/or closing costs for the employee's primary residence, (except as noted in Sect. J) and will only be awarded when full financing has been secured. EHOP loans may not be used for the payment of mortgage insurance since mortgage insurance can be financed through the mortgage.
- D. The Deputy City Manager will provide written notification to the closing agent and the lender of its intent to provide these funds to assist the employee in purchasing a primary owner occupied residence only (refinancing of an existing residence does not qualify). For the purposes of the EHOP, the term "closing agent" shall be defined as the person or entity supervising the closing to purchase the property, which person or entity is typically a title insurance company, the first mortgage lender, or an escrow agent.
- E. The use of the property shall be limited to the uses permitted for a single-family residence as permitted by the Zoning Code.
- F. The employee shall file with the Register of Deeds a Deed Restriction:
1. Requiring that the property be the principle residence for the owner and/or his/her immediate family, and
 2. That prohibits the use of the property as a rental, except that the owner might keep no more than one roomer provided the owner and/or his or her immediate family continues to occupy the premises as their primary residence.
 3. These restrictions shall be granted to the East Lansing Housing & Neighborhood Services, Inc. for a term of 15 years. Forms will be available in the approved loan packet.

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4. For purposes of this restriction, "Immediate family" shall mean an employee's spouse, former spouse, children, step-children and legally adopted children.
5. The employee may have the deed restriction released after the first year by repaying the City that portion of the original loan according to the following table:

	Balance of City			Target Area
Year	1	\$5,400	93.3%	\$9,333
	2	\$4,800	86.7%	\$8,666
	3	\$4,200	80.0%	\$8,000
	4	\$3,600	73.3%	\$7,333
	5	\$3,000	66.7%	\$6,666
	6	\$2,700	60.0%	\$6,000
	7	\$2,400	53.3%	\$5,333
	8	\$2,100	46.7%	\$4,666
	9	\$1,800	40.0%	\$4,000
	10	\$1,500	33.3%	\$3,333
	11	\$1,200	26.7%	\$2,666
	12	\$ 900	20.0%	\$2,000
	13	\$ 600	13.3%	\$1,333
	14	\$ 300	0.07%	\$ 666
	15	\$ 0	0.0%	\$ 0

G. The maximum amount of the loan will be based on a two tiered concept:

1. For homes within the Target Area on Map 1, loans shall not exceed 10% of the Purchase Price or \$10,000, whichever is less.
2. For homes within the City of East Lansing Corporate boundaries, but outside the Target Area, loans shall not exceed 10% of the Purchase Price or \$6,000, whichever is less.
3. No interest shall accrue on any amount of the outstanding loan principal except as hereinafter provided.

H. Employees who currently live in the City and move into or move within the Target Area on Map 1 shall be eligible for a loan of 10% or up to \$10,000, whichever is less. Employees who currently live in the City and are moving into areas outside the Target Area shall be eligible for a loan of 10% or up to \$6,000, whichever is less.

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(Loans to refinance existing residences within the approved boundaries do not qualify for the EHOP).

- I. Any personnel required to live in the City are not eligible unless they choose to live in the Target Area, in which case they would be eligible for 10% or up to \$10,000, whichever ever is less.
- J. Employees who currently live in the City and who agree to place a deed restriction on their home limiting it to owner occupancy for a term of 15 years shall be eligible for a loan of up to ½ of the amount listed in Section G(1, 2). This amount can only be used to reduce the current mortgage or for home equity loan improvements such as additions, new windows, doors, roof, heating & air conditioning, etc.
- K. Twenty (20%) percent of the loan principal will be forgiven on each anniversary of the loan provided that:
 1. The employee is in good standing. For an employee to not be in good standing requires a written performance appraisal or other documentation by the employee's supervisor, or the East Lansing Personnel and Human Relations Department. An employee's "good standing" shall not be affected by being on family and medical leave, extended sick leave, or military leave.
 2. The house purchased by the employee is occupied by the employee and/or his or her immediate family as the employee's principle residence.
 3. The employee and/or his or her immediate family occupies the house as a principle residence for a minimum of five (5) years from the date of the original loan.
- L. The amount of the loan that is forgiven will be taxable income to the employee. The City will issue a 1099 tax form to the IRS annually, reflecting the forgiven portion of the loan as income.
- M. If the employee and his or her immediate family vacates, rents or sells the house within the loan period, the entire principal balance of the Loan then due, shall become, without notice, immediately due and payable, and shall bear interest thereafter at the midterm rate compounded monthly until paid in full.

In cases where the employee remains an employee, this will be done through a wage assignment contract assigning 10% of the employee's net after-tax earnings per pay period unless the employee should make direct payment for the balance of the loan.

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If the employee's employment with the City is terminated, the remaining balance of the loan shall be deducted from net termination pay after taxes. Any remaining balance of the loan subject to repayment shall be charged interest at the applicable federal rate for mid-term loans amortized monthly and, in the case of terminations, principal payments plus interest shall be amortized over three (3) years or the remaining life of the loan term, whichever is less. In the case of default, the loan principal may be recovered through any other legal means.

1. The City Manager may authorize the property to be used as a rental for up to six (6) months in extenuating circumstances.

N. If the employee sells the house at any time during the first seven (7) years following the closing on the loan, East Lansing Housing and Neighborhood Services, Inc. shall have a right of first offer to purchase the home at the proposed price and terms which shall be executed and delivered in recordable form to the City at closing.

The Deputy City Manager has the authority to make decisions on special exceptions in any application. For example, when an employee can demonstrate that although money would be a prime consideration in moving to East Lansing, that time off to prepare for the move is also critical, the Deputy City Manager shall have the authority to approve a loan package that combines a loan with additional time off. In any case, the total value of the loan package shall not exceed \$10,000, unless approved by City Council.

Upon approval from the City Manager, the Deputy City Manager shall have the authority to accept applications from an employee who has completed the proper loan application documents.

The terms and conditions of this Program are subject to change by the City Manager or the City Council without formal notice. Any future changes would affect only those loans processed after these changes were adopted.

Each employee is encouraged to consult his or her professional advisor prior to signing any documentation required to participate in the EHOP and when purchasing a home.

VII. FUNDING SOURCES

Funds for this Program shall be limited solely to those funds which East Lansing City Council may appropriate from time to time as part of the annual City budget. Depending on the program's success and the City's financial status, the EHOP Program may be continued in future budgets at the discretion of the East Lansing City Council.

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VIII. ASSISTANCE TO LENDERS

In an effort to encourage lenders to provide greater consideration regarding qualifying parameters to eligible East Lansing Employees, the City will offer:

- A. In the event of a loan default, the City of East Lansing will maintain a waiting list of potential buyers to facilitate a new transaction on the house.

IX. HOMEOWNERSHIP SUPPORT

A clear referral mechanism for homeownership support will be available to all interested employees. This support will assist employees in addressing barriers to successful homeownership. The support issues to be addressed may include:

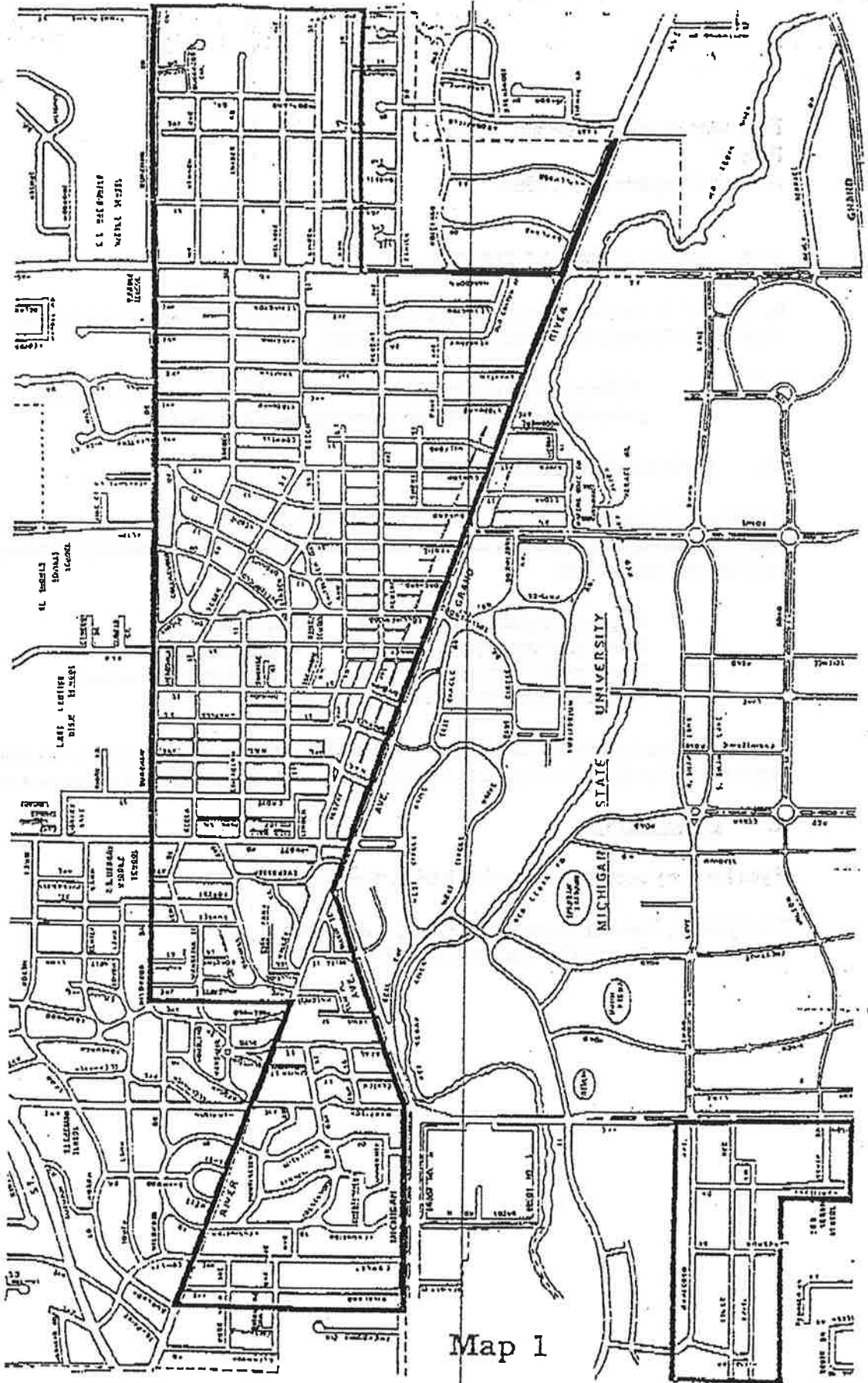
- Employee assistance programs
- Home purchase process
- Home repair financing
- Homeownership obligations
- Home security
- Home maintenance
- Maintaining employment

East Lansing has long been noted for its variety of fine neighborhoods, schools, and quality of life. It is hoped that this program will help City employees to choose East Lansing as a place to work AND live.

X. QUESTIONS

If you have any questions concerning EHOP, please contact:

Ron Springer, Planning Department, 337-1731, ext. 234 or
Mike Benedict, Deputy City Manager, 337-1731, ext. 206.



Map 1



Yale News

Office of Public Affairs

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CONTACT: Cynthia L. Atwood #133

For Immediate Release: Dec. 4, 1997

Yale's Homebuyer Program Expanded to More Neighborhoods, Benefits Boosted to \$25,000 for Buying a Home in New Haven

New Haven, CT — Building on the success of its Employee Homebuyer Program, Yale University is extending the program for two more years and expanding into two additional New Haven neighborhoods, President Richard C. Levin announced today. In Phase III, Yale will pay \$25,000 over 10 years to each employee who buys and lives in a home in one of several neighborhoods surrounding the campus.

The Homebuyer Program has been a successful element of Yale's New Haven Initiative, with 280 faculty and staff now having purchased homes in the city through the program. Yale anticipates that Phase III will bring the University's total financial commitment to home buyers to \$7 million.

Neighborhoods currently included in the program are Newhallville, Dixwell, Beaver Hills, Dwight, Edgewood, West River and the Hill. Beginning Jan. 1 and extending through Dec. 31, 1999, the program also will include:

- A 20-block extension of the Beaver Hills neighborhood west of Ella Grasso Boulevard to Fitch Street.
- A crescent-shaped area just west of I-91, including the Wooster Square neighborhood and the East Rock neighborhood between Orange and State streets.

"Continuation of the Homebuyer Program for another two years reflects Yale's commitment to helping our employees take advantage of the quality of life in the city and become even more active contributors to the community. Response from community groups, elected officials and participants to our program has been enthusiastic, which is a key reason we are continuing and expanding the program," President Levin said.

Yale Vice President and Secretary Linda Koch Lorimer, who oversees the University's Office of New Haven Affairs, said Yale was pleased with the broad-based employee participation in the first two phases of the Homebuyer Program — 41 percent of buyers have been from Yale's clerical and technical

(more)

The Yale Homebuyer Program

\$7,046,000

- Yale pays \$25,000 (\$5000 at closing and \$2000 annually) over ten years towards the purchase of a new home in any of several neighborhoods in New Haven.
- All benefits-eligible staff and faculty are eligible to participate, including service and maintenance, clerical and technical, management, and faculty.
- 46% of participants are minorities.
- 330 employees have participated since the Homebuyer Program since it began in 1994, and have become homeowners in the City of New Haven.
- Over \$30,000,000 in home sales in New Haven.
- Yale commitment to date: \$7,046,000. (as of January 29, 1999)

(William Carney, Personnel Records, January 15, 1999)

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(Yale Employee Homebuyer Program)

staff, 26 percent from the faculty, 19 percent from the management and professional staff, and 14 percent from service and maintenance employees.

"We're especially pleased that so many first-time home buyers are taking advantage of this benefit," said Vice President Lorimer, who noted that 95 percent of the participants in Phase II used this program to buy their first homes.

Carmen Morena, an employee who purchased a home on Sherman Avenue during Phase II, praised Yale's program, saying, "Without the Homebuyer Program, I probably could not have purchased my home. I enjoy my house and my neighbors, and I am happy I could continue to live in New Haven." Since the program began, 59 percent of Yale buyers have been women.

As in the first two phases, each participant will receive \$2,000 per year for 10 years, so long as he or she remains a Yale employee and continues to reside in the house. An additional closing bonus -- a benefit added during Phase II to help homeowners pay for renovations and closing costs -- is being increased from \$4,000 to \$5,000, bringing the total to \$25,000 over 10 years.

The program began in April 1994 with a two-year commitment that was continued after review in 1996. Thus far, participants have purchased 175 single-family homes, 55 condominiums, 46 two- and three-family homes, and four co-ops. Most of the homes ranged in price from \$50,000 to \$150,000, with 60 percent selling for under \$100,000. The value of homes purchased with Yale assistance exceeds \$28 million.

While all New Haven homes qualified for the program during Phase I, Yale focused during Phase II, on those areas of the city that would benefit the most from an increase in stable home ownership -- a crescent of neighborhoods roughly from the Yale campus on the east to Ella Grasso Boulevard on the west.

During Phase II, the Yale Office of New Haven Affairs encouraged first-time home buyers by offering workshops, seminars and housing fairs. Prospective buyers learned how to combine Yale's incentive program with others sponsored by the city, the state and local banks.

(more)

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(Yale Employee Homebuyer Program)

Other features that make Yale's program unique among programs nationwide are:

- All employees are eligible, so long as they work enough hours a week to qualify for Yale benefits.
- Unlike mortgage assistance programs, which give higher benefits to those with higher mortgages, Yale's program offers proportionally more benefits at lower purchase prices.
- Yale imposes no caps on the number of participants, their income or the purchase price of homes.

Yale's Employee Homebuyer Program is part of the New Haven Initiative, announced by President Levin in 1994, which has broadened Yale's partnerships with the city in the areas of economic development, neighborhood revitalization, education and human development. Other programs sponsored by the initiative include:

- Buy in New Haven, a program designed to channel more of the University's purchases to city businesses. Yale's purchases of goods and equipment in New Haven totaled \$10.6 million in 1996.
- Career High School's academic partnership with Yale's Schools of Medicine and Nursing, which was formalized earlier this year. The partnership will expand when the high school moves to a new facility adjacent to the Yale campus.
- Ninth Square, a \$108-million retail and residential project in downtown New Haven in which Yale invested \$12.5 million and increased its commitment last summer.
- The new Broadway shopping district, in which Yale has invested \$4 million while recruiting several new stores, including a new Barnes & Noble partnership for The Yale Bookstore. Yale worked with the City of New Haven to secure federal and state funding to revitalize the area.
- The Greater Dwight Development Corp., one of many projects Yale sponsors under a \$2.4 million HUD grant to benefit the Dwight, Edgewood and West River neighborhoods.
- Shubert Performing Arts Center, which received several major contributions last year to place it on solid financial footing, including \$500,000 from Yale.

For more information about the New Haven Initiative, contact the Yale Office of New Haven Affairs, (203) 432-8613.

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