



Legislation Text

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Authorizing Additional Alternative Home Financing Options for the Infill Housing Program (B)

This item proposes that the City Commission approve additional alternative home financing options for the Infill Housing Program to sell affordable homes to income eligible first-time homebuyers to meet expenditure deadlines required by the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnership Program (HOME).

On January 7, 2010, the City Commission approved sale of five (5) new single-family homes in the Porters Gardens subdivision (Legislative File #090631) to eligible first-time homebuyers. The Porters Gardens subdivision is located in the Porters Community on SW 8th Avenue and on Depot Avenue. The new homes were constructed with HOME Program funding, which requires the sale of the units to low-income households. Since that time, two (2) of the five (5) new homes have been sold to eligible first-time homebuyers. The City currently has in its ownership inventory three (3) units remaining in the Porters Gardens subdivision. Staff has continued to diligently market the three (3) remaining new homes for sale to income eligible homebuyers. Over 100 potential homebuyers have expressed interest in purchasing the new homes, but have not been able to meet the more stringent mortgage lending criteria established by the banking industry. Due to the downturn of the real estate market and increased requirements to obtain primary financing, it has been extremely difficult to assist many of the potential homebuyers that desire to purchase homes, particularly households in the low income levels. Additionally, in accordance with HOME Program regulations, these units must be sold prior to October 31, 2012. If the homes are not sold by this deadline, the City will have to repay approximately \$310,000 to HUD from its General Fund for the total HOME Program funds expended to construct these three new homes. Therefore, the three remaining new homes must be sold by October 31, 2012. As a result, staff is proposing to offer an additional alternative home financing option for potential first-time homebuyers to qualify to purchase the three (3) homes at Porters Gardens.

The Homebuyer Lease Purchase Program (HLPP) option is a useful mechanism when unsold inventory is sitting vacant and potential homebuyers are not ready to qualify for a purchase due to financial obstacles such as strict mortgage lending criteria. The HLPP option offers homebuyers the opportunity to prepare for homeownership over a period of several years. **Staff will monitor the lease purchase program to ensure that it is well planned and successfully implemented.** Applicants must meet the City's program qualification criteria to participate in the lease purchase program. The City will enter into a short-term lease with the homebuyers that will include an option to purchase the home based on the terms specified in the lease purchase agreement. The monthly payment of the homebuyer's option to purchase will be based upon their purchase affordability. The monthly payment collected by the City will be used as a savings account towards the homebuyer's downpayment and escrow account for taxes and insurance. A portion of the monthly payment will also be set-aside by the City for any maintenance needed on the home. At the end of the lease purchase term, the City will sell the home to the homebuyers in accordance with the lease purchase agreement. The City will also provide required subsidies to make the purchase of the homes affordable for the homebuyers. The HLPP guidelines are provided in Attachment A for reference.

The proposed purchase option will address the above referenced barriers and increase affordable and low cost homeownership opportunities for first-time homebuyers. If the program is successful, it could expand and be applied to other City owned affordable homes; and implemented as a tool to improve the effectiveness of future City property sales. Therefore, staff recommends this action be approved to: 1) increase ownership opportunities for low-income households at the targeted site; 2) add flexibility and leverage in the use of housing funds; 3) reduce City holding costs on the unsold units; and 4) increase long-term revenue streams into the housing budget from loan payments. All of the foregoing allows the City to better meet affordable housing and community development needs in the City now and in the future.

To seek qualified applicants, staff will advertise the program to the general public in the local newspapers and other media outlets as available.

Authorization of the Homebuyer Lease Purchase Program option for use with the City's Infill Housing Program will have no fiscal impact to the City at this time as no additional funding beyond the current allocation is required. The authorization of this option would allow the City to dispose the unsold inventory of three (3) new homes in the Porters Gardens Subdivision by HUD's deadline of October 31, 2012.

The City Commission: 1) authorize the Homebuyer Lease Purchase Program option for use with the City's Infill Housing Program; 2) authorize the City Manager to execute Lease Purchase Agreements for the three new homes located at 303 SW 8th Avenue, 316 SW Depot Avenue and 317 SW 8th Avenue with income eligible homebuyers to be identified at a future date, subject to approval by City Attorney as to form and legality; and 3) authorize the Housing and Community Development Division to use standard program subsidies and purchase and sale documents to consummate the transactions for the lease purchase option, subject to approval by the City Attorney as to form and legality.