



Subcommittee Meeting to Discuss
Employer Assisted Housing Program
Housing Advisory Committee

Tuesday, December 13, 2016
12:00 Noon – 2:00 PM

Agenda

In Attendance: **Betsy Lawson, Piedmont Housing Alliance**
 Bob Hughes, Realtor
 Grant Duffield, Charlottesville Redevelopment and Housing Authority
 Phil D’Oronzio, Banking Community
 Ridge Schuyler, Education
 Stacy Pethia, Neighborhood Development Services

I. Welcome and introductions

Stacy Pethia (SP) began the meeting at 12:05. She thanked everyone for volunteering as members of the subcommittee, reminded everyone to sign-in.

II. Employer Assisted Housing Program Discussion

SP stated she had been asked by Alex Ikefuna, Director of Neighborhood Development Services, to draft an Employer Assisted Housing Program (EAHP) for City of Charlottesville employees. The program, as drafted, would provide of down payment and/or closing assistance to City employees to purchase homes within the City limits. The proposed amount of assistance is \$10,000 per employee to help make purchasing a home more affordable. Assistance would be provided to City employees earning annual salaries less than or equal to 120% of area median income (i.e. no more than \$92,600 for 1 or 2 person households, or \$108,100 for families of 3 or more persons). The assistance would be structured as a 5-year forgivable loan, with the balance of loan due upon sale or refinancing of home within the 5-year period, or upon termination of employment with the City of Charlottesville. To qualify for assistance, employee applicants must:

- be a benefits eligible employee of the CDity of Charlottesville for at least 1 year;
- be an en employee in good standing (not under disciplinary review) at the time of application;
- not have an income greater than 120% of area median income as determined by the US Department of Housing and Urban Development;

- not currently be a resident within the City of Charlottesville or must not have purchased a home in the City within the past 10 years;
- must attend a City approved homebuyer education course, including a one-on-one homebuyer counseling session;
- must be qualified for a mortgage loan;
- must maintain ownership of the property for 5 years after the date of closing;
- must occupy the purchased house as their primary place of residence for 5-years after the date of closing;
- must not refinance the property until after the 5-year life of the loan expires;
- must maintain employment with the City of Charlottesville for 5 years after the date of the closing; AND
- must submit annual certification of continued owner-occupancy.

The maximum allowable home purchase price under the program is \$300,000. Finally, any employee receiving assistance under the program would have to agree to give the City first of refusal to purchase the property when the owner decides to sell. This would allow the City to offer the property to another EAHP participant at an affordable price. SP then asked subcommittee members for their comments on the proposed program design.

Phil d'Oronzio (PD) stated an EAHP structured in this way could be problematic paired with conventional or FHA loans for various reasons. While grants are permitted in both programs, they cannot come with "strings" (rights of first refusal, indentured servitude/repayment on termination/length of residency, etc.) The City would be able to gift the \$10,000 to an employee, but could only provide a secured loan (through a subordinate lien on the property) but "strings" such as equity sharing agreements etc are not permitted are also not allowed under conventional/conforming rules. The FHA would permit both DPA and subordinate liens, but subordinate liens must be "community 2nds" and cannot be from the employer.

PD offered two alternative program structures. The first alternative, would be for the City to guarantee a second mortgage to cover the cost of the downpayment. The second mortgage would cover 100% of the downpayment. This would allow EAHP loan recipients to access a full range of FHA and conventional mortgages. The second option, would be to create a program similar to the US Department of Agriculture's Single Family Guaranteed Housing Loan program. The program provides a guarantee to approved lenders in order to reduce the risk of extending 100% loans to eligible rural homebuyers. In a local program, the City would work with a mortgage insurance provider and local mortgage lender to create a similar type program with the City subsidizing the cost of loan note guarantee.

Ridge Schuyler (RS) asked how a homebuyer's monthly payment would be affected if the City guaranteed a loan under the first program option. PD and Bob Hughes (BH) explained the impact would be negligible, as the City guarantee would only apply to a second mortgage lien.

RS stated he would be interested in exploring a shared equity model in which the City holds the mortgage. PD pointed out the City would need to identify a lender willing to partner with the City to provide 100% financing. RS will do some research on that report back to the group.

Grant Duffield (GD) stressed promoting housing affordability for City employees should be a primary objective of any EAHP program. He also pointed out local banks should be interested in becoming involved in such a program, as it would help fulfill their Community Reinvestment Act

responsibilities. GD volunteered to research some possibilities and report back to the group. He also noted the Housing Choice Voucher homeownership program may also act as a model for a City EAHP.

SP wrapped up the meeting by noting two tracks for a possible EAHP model have been identified. The first would assist employees to purchase a home in the City without necessarily having a direct impact on housing affordability; homebuyer savings could be achieved in other areas (such as decreased transportation costs due to shorter commuting times), which could indirectly make housing more affordable. The other track is to design a program that addresses housing affordability directly. This will require more discussion before a proposed model can be produced.

III. Public comment

None.

Meeting adjourned 1:45 pm.