

Homeownership Programs: A New Strategic Approach

MARCH 28, 2022 - GREAT NEIGHBORHOODS COMMITTEE

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Agenda

- ▶ **Current Homeownership Programs**
- ▶ **Current Housing Market Trends**
- ▶ **New Strategic Approach**

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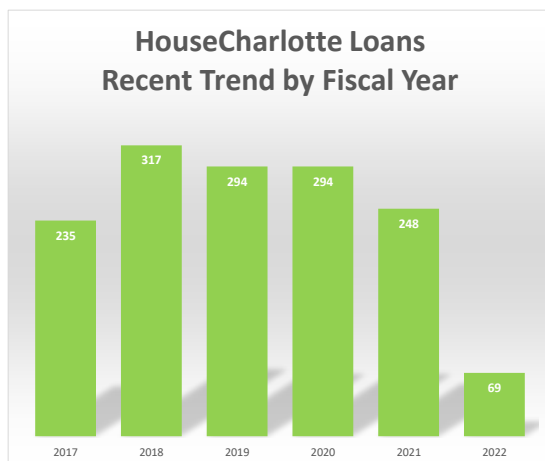
Current Homeownership Programs

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HouseCharlotte

- ▶ Over \$51M to support homeownership for 6,779 households since 1996
- ▶ Provides up to \$17,000 of assistance
- ▶ Can be used for down payment, closing costs or interest rate buy-down
- ▶ 15 year deferred forgivable loan

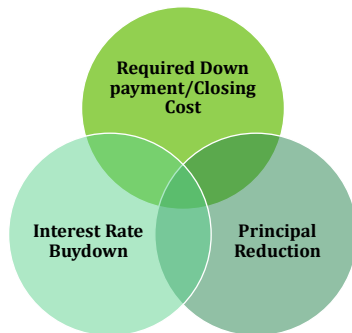
HouseCharlotte Loans
Recent Trend by Fiscal Year



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House Charlotte Example

- ▶ Household Size 4
- ▶ Income: \$67,000
- ▶ AMI 80%



- ▶ Can afford a mortgage on a loan of \$239,200. (3.75%)
- ▶ \$20,000 in principal reduction increases available purchase price to \$260,000
- ▶ An interest rate buydown to (2.5%) increases loan amount to \$280,300
- ▶ FHA Loan requires a 3% downpayment
- ▶ Loan payment \$1,683

Homeownership Education

- ▶ **The City partners with certified housing counselors that provide:**
 - HUD compliant Homeownership Education classes.
 - One on one counseling to help with budgeting, credit issues and review housing purchase-related documents (loan offers, purchase agreements, etc.)
- ▶ **Homeownership 101 class offered to city employees through Organizational Development and Learning (ODL)**
 - A 90-minute homeownership primer geared specifically for city and county staff. To date, over 450 employees have participated in this training.

Acquisition, Rehabilitation & Re-sell

- ▶ Authorized by Council in 2021 with a \$1.5 million investment
- ▶ Funding is used to acquire the unit, complete rehab and subsidize cost to the buyer
- ▶ Average subsidy \$30,000
- ▶ 20 units purchased



New Home Construction

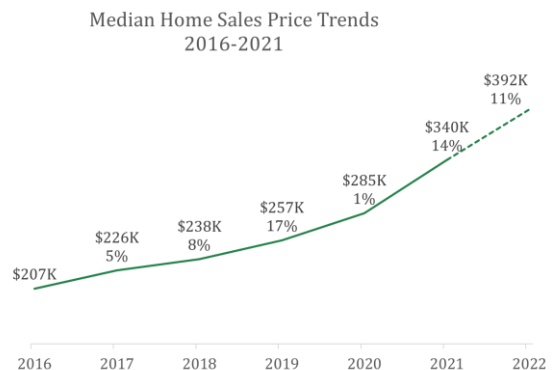
- ▶ Using various funding sources, the City invests in the development of affordable, for-sale new construction
- ▶ Funding is provided to developers for infrastructure installation or construction subsidy
- ▶ **Current Projects Underway**
 - Vantage Pointe – 12 Townhome units (HOME funds)
 - Phoenix Rising – 35 Townhome units (HOME funds)
 - Plato Price – 39 Single Family Housing Units (CDBG funds)
 - HTF Bishop Madison -9 Single Family units (HTF)
 - Druid Hills Legacy Homes - 22Townhome units (HTF)
 - Voluntary affordability – 37 units (rezoning)

Current Trends in Housing Market

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Home Sales Price Trends

- ▶ **10% average annual increase in sales price over 5 years**
- ▶ **In 2021, median sales greater than list price (first time)**
- ▶ **0.5 months supply**
 - 810 homes for sale Dec 2021
 - Compared to average of 4,421 over prior Decembers

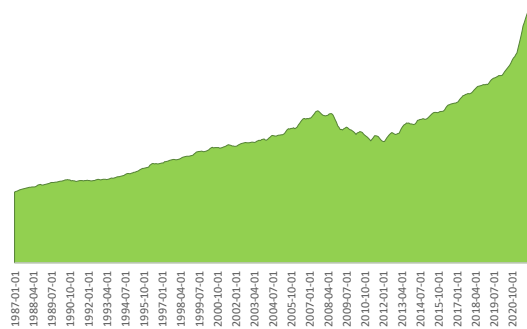


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Housing Affordability

- ▶ Case Shiller is used as a measure of the overall housing market
- ▶ The significant shift in the housing market requiring updates to housing programs

Case Shiller Index Value
1987 - 2021

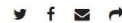


"I" Buyers

- ▶ Investors purchase single family home at an unprecedented rate
- ▶ Owner-occupants unable to compete
- ▶ Washington Post reporting investors purchasing over 30% of available units in some Charlotte neighborhoods

Investors are squeezing out middle-class homebuyers in Charlotte

BY STAFF
MARCH 06, 2022 4:30 AM



A New Strategic Approach

Recent Program Updates

▶ **Maximum Sales Price**

- Increased to \$300,000 for existing construction and \$315,000 for new

▶ **Community Heroes**

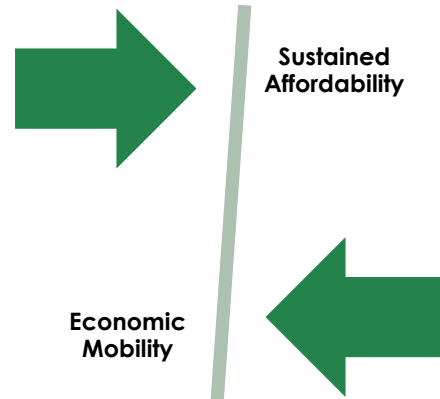
- \$30,000 downpayment assistance loans for first responders including police, fire, EMT, healthcare, teachers, and other essential workers
- 56 loans made, \$1,677,858 invested

▶ **Habitat Downpayment Assistance**

- Council approved a \$1,400,000 downpayment assistance contract with Habitat for Humanity
- Approach will provide 22 homeownership opportunities for households below 80% AMI in proximity to Corridors of Opportunity

Balancing Affordability & Mobility

- ▶ Homeownership programming can achieve goals of preservation and affordability
- ▶ Homeownership is a substantial driver of economic mobility
- ▶ Trade-off: Programming that provides for sustained affordability provides less economic mobility impact



New Strategic Approach

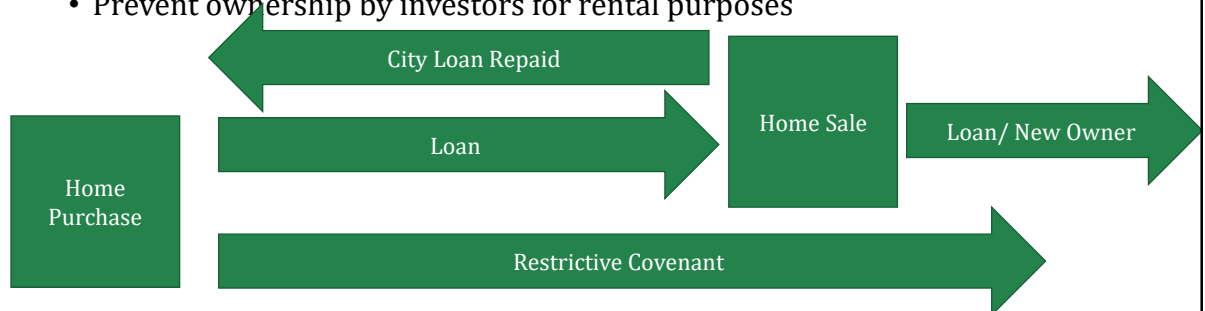
- ▶ **Update down payment assistance for today's market**
 - Increase funding & per unit maximums
 - Extend affordability period
- ▶ **Expand the use of Acquisition, Rehabilitation and Re-sell through a revolving fund**
- ▶ **Expand resources for new home construction**
 - Optimize use of federal funding for infrastructure development and home construction to increase the availability and affordability of units
 - Invest in strategic land acquisition
- ▶ **Expand financing tools**

Expand Financing Tools

- ▶ **Implement additional financing tools and restrictions that expand housing options for current and future buyers**
 - Homeownership restrictive covenants
 - Right of first refusal
 - Shared equity financing

Homeownership Restrictive Covenants

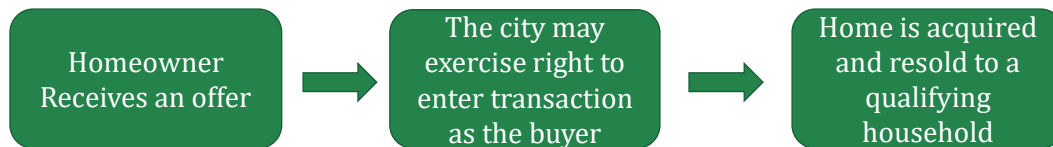
- ▶ **Strengthen rental restrictions using restrictive covenants (deed of trust)**
 - Must be used as a primary residence
 - Must be sold to an owner-occupant
 - Prevent ownership by investors for rental purposes



Right of First Refusal

► Increase sustainability using right of first refusal

- Restriction recorded at time of the initial transaction (i.e. when a downpayment assistance loan is closed)
- When an owner wishes to sell, the holder of the right has the option to intervene and enter the transaction
- This would allow the city or city partner to purchase the home at fair market value for affordable housing purposes

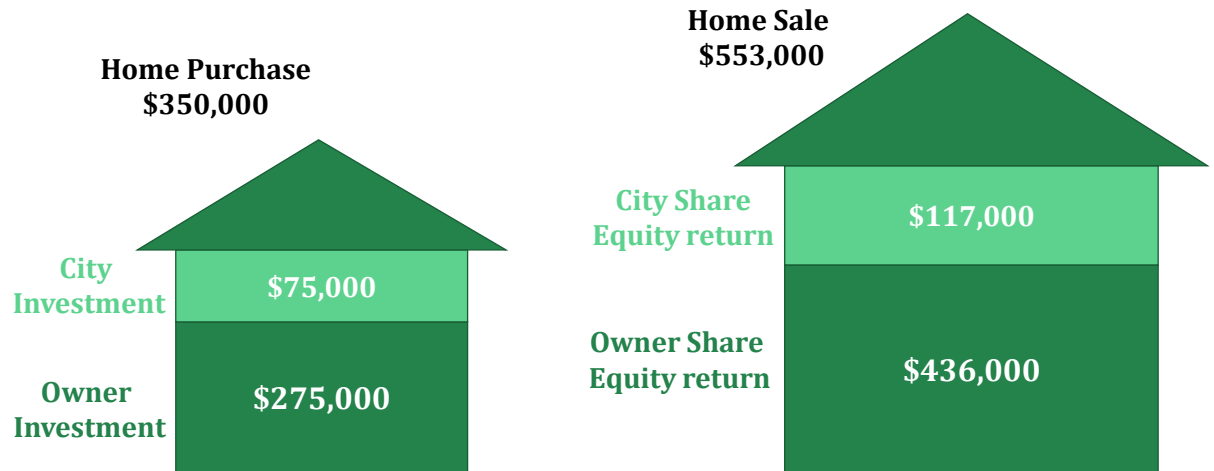


Shared Equity

► Balancing affordability and mobility with shared equity

- In exchange for an affordability investment, the city participates in the gain or loss of equity during a period of affordability
- That period can be time-limited or continue until the borrower sells the unit
- At sale, the city will receive its principal investment plus a portion of the appreciated equity.
- The equity will be reinvested in a new affordable home purchase.
- Shared equity allows for continued affordability by reinvesting equity into future transactions

Shared Equity Example



Next Steps

- ▶ Committee discussion and feedback
- ▶ Refine strategies in collaboration with community partners
- ▶ Apply strategies to existing and new program designs
- ▶ Identify funding needs associated with new strategies

Questions?