

Planning the Next Housing Levy

Homeownership Working Paper

1) Current Levy Program

The Homebuyer Program creates affordable homeownership opportunities through low-interest deferred loans to first-time homebuyers and loans to nonprofits. Eligible homebuyers may purchase a single family home, townhome or condominium anywhere in Seattle. Approximately \$1.3 million in new funding is available annually, plus any loan repayments from the current or prior housing levies.

- Homebuyers with income up to 80% of median income may apply for assistance through nonprofit housing agencies, participating lenders, and housing developers that have received an allocation of City funds.
- The program provides deferred loans up to \$55,000, depending on each borrower's need. Borrowers may receive larger loans, up to \$70,000, if City funds are pooled with other funds and the average City subsidy is no greater than \$45,000 per buyer.
- Loans are repaid upon resale or refinancing, providing revolving funds for additional homebuyer loans, or are invested in homes that will remain affordable in perpetuity.

2) Trends/Issues for Future Program Development

- Current levy program is on track with funds awarded to lending programs; when funds are fully expended, we expect to meet levy production goal.
- Loan closings have slowed in recent years, with only five closings so far in 2015.
- Due to rapidly rising sales prices, there is very limited affordable inventory. Providers suggest focusing on strategies to increase affordable supply.

3) OH Preliminary Direction

- Program models to analyze and explore:
 - Down payment assistance program adapted to the realities of the current housing market.
 - Development – new construction and/or acquisition/rehab of homeownership units that are permanently affordable to buyers at or below 80% AMI.
 - Programs that help existing low-income homeowners remain successfully in their homes. Possible program directions include a pool of capital for higher risk home repair loans or support to homeowners who have experienced a hardship so they can remain stably housed.

4) Strategic Questions and Research

Down Payment Assistance

- What is realistic loan production given the limited supply of affordable for-sale homes in the current housing market?
- What size City loan amount is needed given the projected financing gap for first-time buyers and anticipated leverage sources?
- What if any changes should be made to the down payment assistance program to increase usage (e.g., change interest rate or shared appreciation terms)
- Given limited supply of affordable housing in the market, should OH continue to offer down payment assistance independent of a development program for long-term affordable housing?

Construction and Acquisition/Rehab

- What type and scale of development projects should we model, and what is the total amount of subsidy for an affordable homeownership unit for these project types?
- What leverage sources are available and what portion of the gap would be covered by OH?
- What is estimated capacity for production and stewardship of ownership units over time?
- What is the most appropriate role for OH to play in supporting the creation of permanently affordable homeownership units while mitigating risk?

Supporting Low-Income Homeowners

- What are the most critical needs for low-income homeowners to successfully maintain ownership? For example, a higher risk pool of home repair loans funds for riskier borrowers (i.e., those who are underwater), or financial support and counseling for people experiencing either temporary or chronic medical conditions to remain stably housed.
- What is the estimated number of homeowners that need assistance?
- What is the cost to address those needs?