



Department Source: Community Development - CDBG/Home

To: City Council

From: City Manager & Staff

Council Meeting Date: November 19, 2018

Re: Amending Section 5: City Homeownership Assistance Program "Homeownership Neighborhood Development (HOA ND)" of the Community Development Block Grant (CDBG) and HOME Program Administrative Guidelines

Executive Summary

Staff has prepared a report and the attached amended CDBG and HOME Administrative Guidelines for the "Homeownership Assistance Neighborhood Development" provisions within Section 5: Homeownership Assistance Program (HOA). The amended program guidelines incorporate provisions that reflect the Council Ordinance Authorizing the Columbia Community Land Trust (CCLT), further information learned through initial CCLT closings and additional input from community partners.

Discussion

Current CDBG and HOME Administrative Guidelines allow for non-profit or for-profit developers to obtain up to \$30,000 in homebuyer financing for eligible projects. These funds can go towards filling the affordability gap on new construction or substantial rehabilitation projects. In the past, this assistance was provided in the form of a secondary mortgage in order to provide for an affordable first mortgage for income eligible buyers. The Columbia Community Land Trust initiative was undertaken due to the Council's desire to protect these investments in affordable housing and ensure City funded homes remain owner-occupied, well-maintained and affordable for future generations. The Council Ordinance authorizing the establishment of the Columbia Community Land Trust states,

"WHEREAS, in rising markets recapture mortgages do not achieve the goals of preserving the value of subsidies or the affordability of housing subsidized with these funds for multiple, successive owners over time; and

WHEREAS, after the City's conditional loans are repaid or forgiven, the affordable unit is free to be sold at fair market value and the recaptured funds are unlikely to cover the cost of a new affordable unit due to appreciation and increasing development costs; and..."

The Council Ordinance goes on to state:

"WHEREAS, the City anticipates that the CLT organization's initial holdings will consist primarily of affordable units that are produced through the City's existing affordable homeownership programs, and that, in most cases, the CLT will not act as a developer itself, but instead will work with other nonprofit and for-profit developers of affordable housing to create CLT units; and



City of Columbia

701 East Broadway, Columbia, Missouri 65201

WHEREAS, the City anticipates land included as part of affordable owner-occupied housing funded through City programs will be dedicated the CLT; and..."

Closing on sales of the Lynn Street Cottages project are complete and staff, local CHDOs and lenders have gained additional information to further codify the manner in which CCLT closing should occur. It is intended that the attached amended "Homeownership Assistance Neighborhood Development (HOA ND)" guidelines replace the existing "HOA ND" guidelines to align City programs with Council policy.

City staff obtained input from local for-profit and non-profit partners, the Columbia Community Land Trust Board and the Loan and Grant Committee to ensure guidelines are reflective of Council policy. This input was obtained at the following formal meetings:

Community Housing Development Organizations (CHDOs): 9/27/18

Private Sector Partners: 10/12/18

Loan & Grant Committee Approval: 11/30/18

Key points to understand in reviewing the amended HOA ND program guidelines are as follows:

1. Funded projects will be required to donate the land to the CCLT and sell only the improvements to a qualified buyer and subject to the 99-year CCLT Ground Lease.
2. Development subsidy will provided as a credit to the buyer at closing, provided all terms of the agreement have been met. This subsidy is protected by the CCLT's Ground Lease, rather than a secondary lien.
3. All projects require an as proposed CLT appraisal and final CLT appraisal to ensure program funds are filling only the gap between total project cost and an affordable price necessary to achieve an 80% loan to value ratio on the value to be utilized by local lenders.
4. The draft guidelines require an agreement between the CCLT and non-profit developers, as well as an agreement between the City and the non-profit developer.
5. All City funding agreements must be approved by City Council.
6. Home sales would be subject to City HOA homebuyer policies and CCLT Homebuyer Selection policies, including industry standards and best practices for credit score requirements and underwriting ratios.
7. The amended guidelines further define the affordability gap and the method to determine that gap.

Fiscal Impact

Short-Term Impact: None.

Long-Term Impact: None.



Strategic & Comprehensive Plan Impacts

Strategic Plan Impacts:

Primary Impact: Social Equity, Secondary Impact: Economy

Comprehensive Plan Impacts:

Primary Impact: Economic Development, Secondary Impact: Livable & Sustainable Communities

Legislative History

| Date | Action |
|--------------|---|
| May 18, 2015 | Council adopted revised CDBG and HOME Administrative Guidelines for all CDBG and HOME programs. |

Suggested Council Action

Approve the amended HOA ND guidelines.