

MEMORANDUM

DATE: August 5, 2021

TO: Eric Holmes, City Manager

CC: Natasha Ramras, Chief Financial Officer
Chad Eiken, CED Director
Teresa Brum, Division Manager, Economic Development
Philip Gigler, Assistant City Attorney

FROM: Peggy Sheehan, Community and Economic Development Programs Manager

RE: **First Time Homebuyers shared real estate equity calculation change**

Key Points

- The City funded a First-Time Homebuyers Program using CDBG and HOME funds through Columbia Non-Profit Housing (CNPH) from 1996 through 2011.
- In 2011, CNPH ended their program and the loans reverted to the City.
- The program was designed using a shared equity model without monthly payments with the intention of creating long term affordability.
- In the past 20 years, the median sale price for houses in Clark County has increased by 204%.
- The City has requests (in writing and on the phone) from homeowners requesting relief from the shared equity payoff, which prevents them from utilizing equity to make necessary repairs on their homes or pay for other urgent expenses.
- The City has 28 existing loans for first time homebuyers, using the shared equity model, which means that in addition to paying back the loan of the down payment assistance to the City, borrowers also need to share up to 50% of their equity in the house with the City.
- If the City were to forgive the requirement to share the increase in equity on these loans, the program would meet the goals of the CDBG program by continuing to contribute to safe and affordable housing for low-income Vancouver residents.
- By forgiving the shared equity, the down payment loan will be paid back to the City and the homeowners will be able to use the equity to address other needs such as home repair, medical etc.
- The City would continue to re-invest the loan repayments into other CDBG eligible activities.

History

In 1996, the CDBG funded First Time Homebuyers Program which was developed to support homeownership for residents of Vancouver earning no more than 80% AMI. The program was operated through a contractor, Columbia Non-Profit Housing, with additional funding through Clark County and the Washington State Department of Commerce. The program provided loans for households earning no more than 80% AMI using City of Vancouver CDBG funds as a down payment.

Loan terms

The down payment was provided as a loan, behind the bank loan for the mortgage. The program utilized a shared equity model, with the intention of creating long-term, affordable homeownership opportunities. The program did not require payments until home sale or refinance. Upon sale or refinance of the home, program participants are required to pay off the loan for the down payment and include an additional

amount of the sale/refinance proceeds based on the property gain in equity. Any payments received from the homeowners are used to support other CDBG activities.

In 2011, Columbia Non-Profit Housing ended the program, and the down payment loans reverted to the funders including the City of Vancouver and Clark County. Due to the contract requirements, the state-funded program loans remained with Columbia Non-Profit. The City of Vancouver had approximately 110 loans, all funded with CDBG funds. There are currently 28 loans remaining ranging from 10 to 23 years old. The current notes have a 30 year-term that will trigger repayment of the down payment even if the original homeowner is still living there (forcing sale, refinance, etc.). The current program is administered by Proud Ground.

Issue we are addressing

Due to an unprecedented increase in housing prices locally, the initial program design no longer meets its goal of long-term affordable housing through the shared equity model. In the past 20 years, the median sale price for a home in Clark County has increased by 204%. This has created many challenges for program participants and has motivated the City to propose a new policy for this program. Key issues include:

- In accordance with the initial terms of the program, homeowners would have to repay the City loan if they are taking out an equity loan or refinancing. In addition to repaying the City loan for the down payment, the homeowners are currently required to pay the City up to 50% of the increase in the value of the home. The combined payoff amount, including the original loan and shared equity, creates significant hardship for the homeowners.
- The average increase in assessed value for the homes of program participants between 2011-2021 was 148%, according to data from the Clark County Assessor's website. Under the current policy, this would require some participants to pay the City as much as double their original loan amount at the time of loan payoff.
- The initial notes have a 30 year-term that will trigger repayment of the City funded down payment along with the shared equity even if the original homeowner is still living there, which will force a sale or refinance of the home.
- The City currently has two requests asking for consideration of the payoff amount, due to high payoff calculation caused by the shared equity requirement. We anticipate that this will be an issue with more participants seeking to pay off their loans in the future.

Moreover, in a July 2021 telephone survey, City staff was able to collect income and household size data from 22 of the remaining 28 First Time Homebuyers Program participants and learned that 20 of these participants are below 80% AMI with some households at or under 60% AMI. Two of the remaining homeowners are 100% of AMI. The goal of the housing component of the CDBG program is to support low (<50% AMI)/moderate (50-80% AMI) income households in the City of Vancouver to access affordable, safe, and quality housing. The cost burden created by the requirement of repaying a portion of the increase in equity to the City during home sale or refinancing directly contradicts these goals.

Request:

Provide for the City Manager to sign revised deeds and notes for any of the 28 homeowners that continue to meet the definition of low income (80% AMI or less) to remove the shared equity requirement. The original loans were given to low-income households as defined by HUD, and the forgiveness of the repayment of a portion of the appreciation of the increased property value would also only be provided to households that still meet the maximum of 80% AMI by HUD. This request would still maintain the requirement to repay the original loan, the City would just be removing the requirement to repay a portion of the increased equity on the house.