

# City of Flagstaff Housing Section

# Community Homebuyer Assistance and Employer Assisted Housing Programs

Proposed Changes



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# Today



- City of Flagstaff Employer and Community Assisted Housing Programs
- Staff Recommended Changes
- Consideration & Discussion
- Commission Recommendation to City Council





# Housing Solutions of Northern Arizona

- The EAH and CHAP programs have been administered by HSNA for over 10 years
- HSNA is a HUD approved Housing Counseling agency and Arizona nonprofit located in Flagstaff
- Offers other forms of assistance for eligible clients
- Volunteer Housing Assistance Committee oversees all loans





# Employer Assisted Housing (EAH)



## History of EAH

- Created in 2015 as the Flagstaff Police Department Employer Assisted Housing Program
- Expanded in 2015 to include all City of Flagstaff employees and increasing assistance from \$7,000 to \$10,000 per household
- To date, the program has benefitted 30 employees with loans averaging \$8,328 per household





# Employer Assisted Housing (EAH)

## Current Program Guidelines

- Employee of the City of Flagstaff for 1 year
- First time homebuyer in Flagstaff (as defined by HUD)
- 1:1 match up \$10,000 (interest free, deferred payment loan forgiven 10% each year of employment)
- Home purchase price must not exceed 125% of the FHA 203(B) mortgage insurance limit of Coconino County (currently \$646,875)



# Community Homebuyer Assistance (CHAP)



## History of CHAP

### Pre-recession – General Funds

- Created in 1998 to serve households up to 115% AMI (MIHAP – Middle Income Housing Assistance Program)
- Loans have ranged from \$10,000 plus 3% of purchase price to \$33,700

### Post-recession – 2010-2017 – CDBG

- 80% AMI limit due to CDBG regulations – loan up to \$15,000
- Program spenddown was slow, and funds went unused

### Current Program – 2018 – Present – General Funds

- To date, loans totaling \$521,250 have been provided to 34 first time homebuyers
- Council has provided additional funding through the budget process
- \$313,244 remaining for assistance loans and administration costs





# Community Homebuyer Assistance (CHAP)



## Current Program Guidelines

- First time homebuyer in Flagstaff
- Home located within Flagstaff City Limits
- 3:1 match up \$15,000
- Client contributes a minimum of 1%
- Home purchase price must not exceed 125% of the FHA 203(B) mortgage insurance limit (currently \$646,875)



# Changing Market



## Homeownership | Increasingly Unaffordable

Since 2012, the median sales price of a home rose by **166%**, while Area Median Income rose by only **36.5%**.

166%

### Increase in Median Sales Price <sup>1</sup>

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$230,988	\$267,000	\$291,900	\$298,000	\$316,000	\$348,293	\$368,000	\$385,000	\$420,535	\$502,500	\$615,000

36.5%

### Increase in Area Median Income <sup>2</sup>

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$56,700	\$55,900	\$53,600	\$54,200	\$56,900	\$56,600	\$63,000	\$68,800	\$67,700	\$69,200	\$77,400

**Median home sales prices in 2022 was \$597,750**



# Changing Market



## Primary Mortgage Market Survey<sup>®</sup>

U.S. weekly average mortgage rates as of 09/21/2023





# Changing Market

## Home availability and pricing

- 16 FHA-eligible properties with a sales price under \$450,000
  - 9 condos *\*Limited financing options and HOA fees*
- 55 properties with a sales price between \$450,000 and \$700,000
  - 7 are condos and 47 of the properties are above \$515,000

## Current program use

	Avg Purchase Price	Avg Assistance	Avg AMI	Clients Assisted	Clients Requiring Additional Subsidies	% Of Clients Requiring Additional Subsidy
2019	\$234,963	\$14,363	96%	11	1	9%
2020	\$255,518	\$14,423	89%	13	4	30%
2021	\$245,125	\$13,000	94%	4	2	50%
2022	\$262,410	\$15,000	81%	4	4	100%

**All of households served in 2022 utilized additional subsidy programs that are only available to households at 80% AMI and below.**



# Proposed Changes to EAH

## Staff Recommended Changes

- 1:1 match up \$10,000 (interest free, deferred payment loan)
  - Proposed Change – **2:1 match** (2 program dollars to every homebuyer dollar) up to **\$20,000** (interest free, deferred payment loan)
- Up to \$10,000 forgiven 10% per year for every year of employment
  - Proposed Change – **Loan is forgiven 10% per year up to \$10,000 – remaining loan is repaid** at sale/refinance for cash/terminated employment or lack of owner occupancy
- Home purchase price must not exceed 125% of the FHA 203(B) mortgage insurance limit of Coconino County (currently \$646,875)
  - Proposed Change – **Remove home purchase price limit** – this is already controlled through affordability and debt to income ratio program requirements



# Proposed Changes to CHAP

## Staff Recommended Changes

- 3:1 match up \$15,000 (interest free, deferred payment loan)
  - Proposed Change – **8:1 match** (166% increase – coinciding with 166% increase in Median Home Sales Price) up to **\$40,000** (interest free, deferred payment loan)
- Client contributes 1% of the purchase price through documented buyer funds
  - Proposed Change – **Client contributes \$1,000** through documented funds – remaining contribution may be from gifts/employer assisted housing/etc.
- Home purchase price must not exceed 125% of the FHA 203(B) mortgage insurance limit of Coconino County (currently \$646,875)
  - Proposed Change – **Remove home purchase price limit** – this is already controlled through affordability and debt to income ratio program requirements



# Next Steps



- Questions / Discussion
- Housing Commission Recommendation
- Presentation to City Council – October 17<sup>th</sup>
- Contract extension with HSNA