

City of Flagstaff  
Housing Section  
**Proposed Bond-Funded  
Homebuyer Assistance  
Program**

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Housing Planner



# Meeting Purpose

Review proposed framework and get feedback on new program features



## Prop 442 – Housing Bond

In the November 2022 Election, voters approved \$20 Million to create rental and homeownership opportunities for residents of Flagstaff. **\$7 million of the overall amount** is designated to assist eligible first-time Flagstaff homebuyers with down payment and closing cost assistance for the purchase of a home within City limits.



# Housing Commission Brainstorm 01/25/2024



**What about...**

**What if we try...**

**Has anyone ever...**

- Interest rate buy down
- ADU rental income for eligibility
- Forgiveness of down payment assistance
- Mortgage buy-down assistance
  - Monthly subsidy?
- Purchase of existing units to create permanently affordable homes
- Purchase prior to foreclosure
- Treat different types of debt differently for debt-to-income eligibility
- Take payments rather than larger payoff at the end of loan – amortize with interest
- Limit price of housing to a reasonable amount
- Explore including all types of homes, including mobile homes
- Carefully consider maximum AMI
- Work with employees to leverage assisted housing program with bond funds





# Current Community Homebuyer Assistance Program

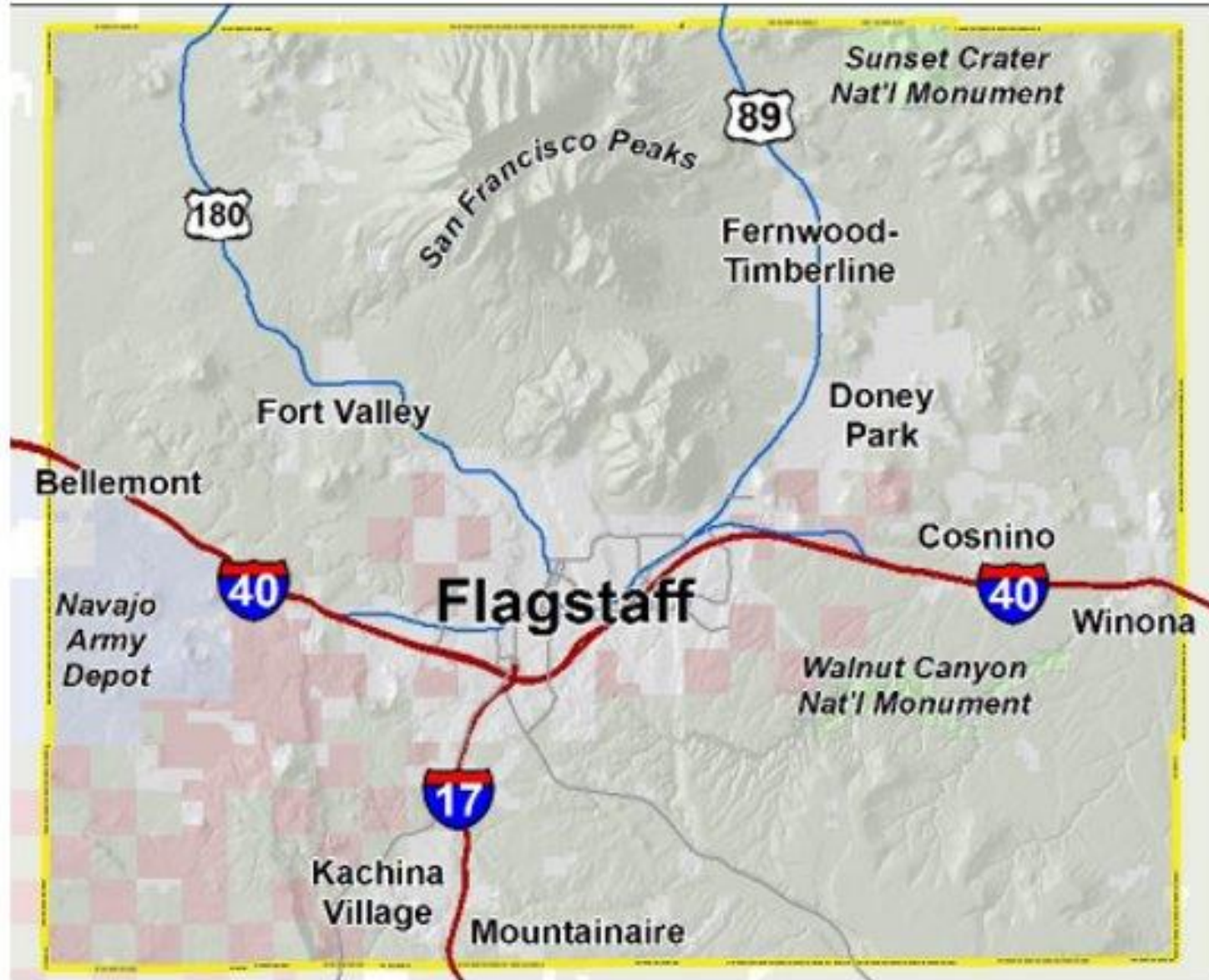


## Eligibility Criteria

- U.S. Citizen or legal resident
- First-time buyer, has not owned a home for 3 years
- Homebuyer education course and housing counseling
- Owner occupancy requirement
- 125% AMI (\$122,175 household of 3)
- Home purchased within Flagstaff city limits
- Current address in FMPO boundary



# Flagstaff Metropolitan Planning Organization (FMPPO) Map





# Current CHAP Criteria - Continued

## Up to \$40,000 maximum assistance

- 8:1 matching ratio
  - *Example: Household contributes \$5,000 and receives \$40,000*
- Max \$5,000 of household funds matched

## Loan repaid based on shared appreciation formula (% of assistance)

- At time of sale
- No longer owner-occupied
- Refinancing with cash out

## Maximum Ratios

- 35% housing ratio
- 45% debt-to-income ratio
- 79% loan to value ratio



# Success of CHAP Updates



**Increasing amount of CHAP assistance to \$40,000 led to more purchases in 2024**

	<b>Affordable Home Purchases</b>	<b>Market Rate Purchases</b>	<b>Total</b>
<b>2020</b>	6	7	13
<b>2021</b>	2	2	4
<b>2022</b>	4	1	5
<b>2023</b>	2	1	3
<b>2024</b>	5	3	8

## **Recommendation:**

- Increase the assistance amount and maximum AMI served to address rising costs and decreasing supply



# Affordability Analysis for 80 - 150% AMI (2024)

		80% AMI	100% AMI	125% AMI	150% AMI
<b>Household of 1</b>	Gross Annual Income	\$55,950	\$76,020	\$95,025	\$114,030
	Maximum Affordable Home Price	<b>\$127,000</b>	<b>\$203,000</b>	<b>\$279,000</b>	<b>\$348,000</b>
<b>Household of 2</b>	Gross Annual Income	\$63,950	\$86,880	\$108,600	\$130,320
	Maximum Affordable Home Price	<b>\$155,000</b>	<b>\$244,000</b>	<b>\$330,000</b>	<b>\$413,000</b>
<b>Household of 3</b>	Gross Annual Income	\$71,950	\$97,740	\$122,175	\$146,610
	Maximum Affordable Home Price	<b>\$188,000</b>	<b>\$295,000</b>	<b>\$380,000</b>	<b>\$475,000</b>
<b>Household of 4</b>	Gross Annual Income	\$79,900	\$108,600	\$135,750	\$162,900
	Maximum Affordable Home Price	<b>\$216,000</b>	<b>\$327,000</b>	<b>\$432,000</b>	<b>\$536,000</b>

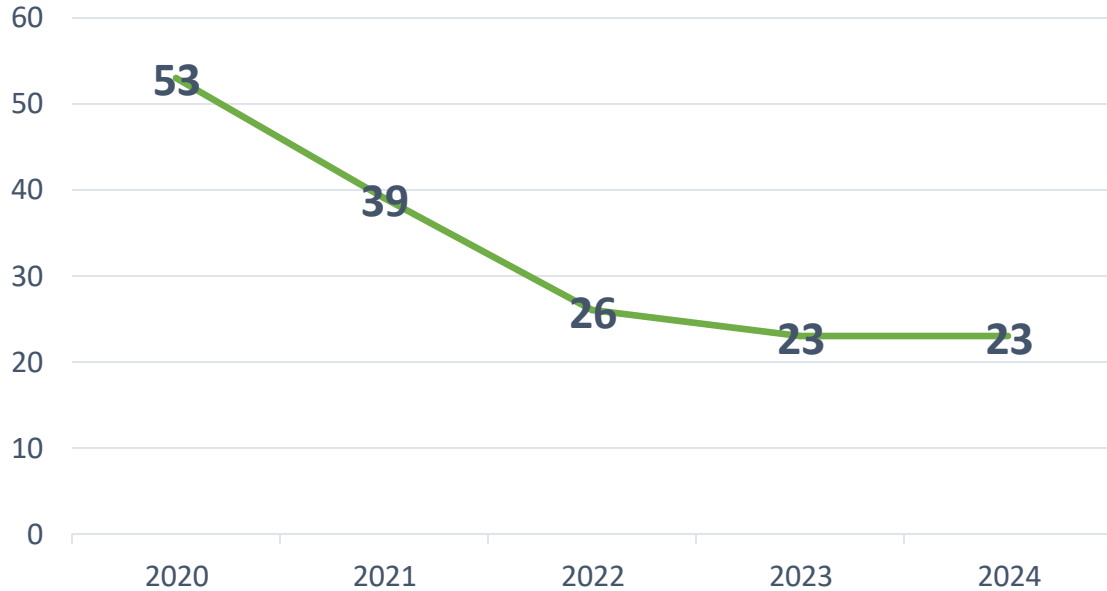


# Lack of Supply Under \$550,000

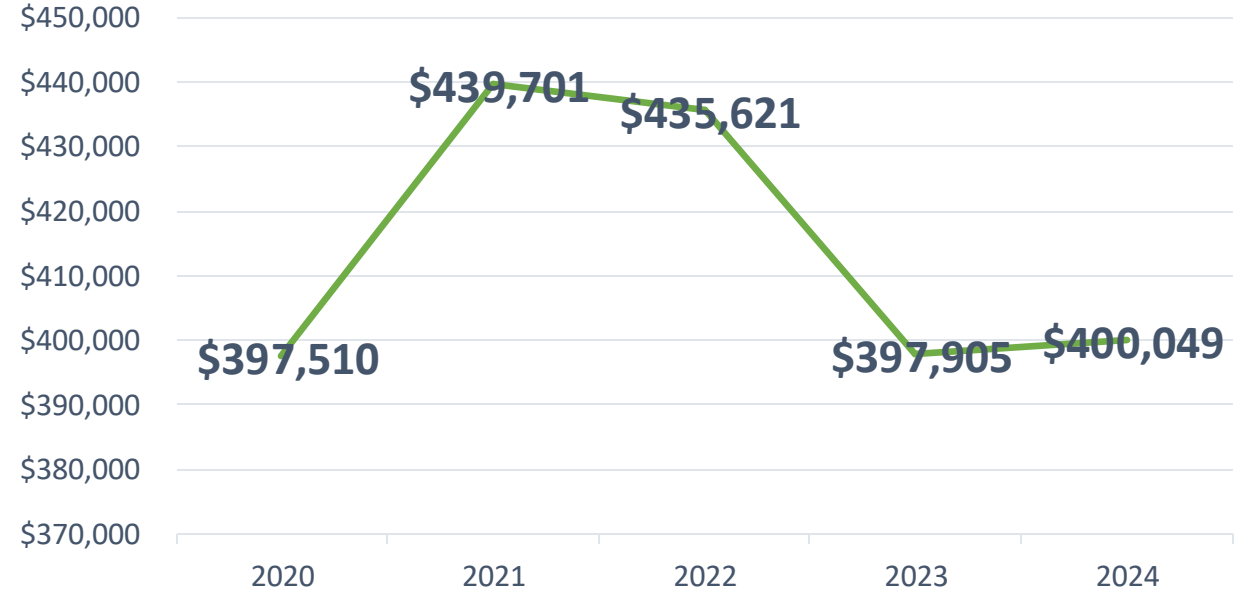


## The number of homes affordable to incomes below 150% AMI is diminishing

### Homes Closed with Financing in May



### Sales Prices with Financing in May



*\*Data reflects homes closed with financing in Flagstaff city limits under \$550,000 for months of May*



# What is Currently Available?

There were only 46 financeable homes under \$550,000 within city limits as of 09/20/24

4 Manufactured Homes on Land

5 Single Family Residential

37 Townhomes/Condos



3200 S Litzler Drive, 19-225  
Flagstaff, AZ 86005  
#196567 **Active**

**\$289,900** ...

Beds	1
Baths	1
Area	562



3066 N Joy Ln. Lane  
Flagstaff, AZ 86001  
#198348 **New Listing**

**\$545,000** ...

Beds	3
Baths	2.5
Area	1,449



# Current vs Proposed Eligibility Criteria



- First-Time Homebuyer: Has not owned a home for 3 years
  - First-Time Flagstaff buyer, has not owned a home in 3 years in the FMPO boundary
- Residency Requirement: Address in the FMPO Boundary
  - Lived or worked in FMPO boundary for 1 year
- No change proposed to Area of Home Purchase



# Current vs Proposed CHAP Changes

- 125% AMI (\$122,175 household of 3)
  - **Raise to 150% AMI (\$146,610 household of 3)**
- Up to \$40,000 assistance, 8:1 matching ratio
  - **Raise to \$50,000 assistance, 10:1 matching ratio**
    - *Example: Household contributes \$5,000 and receives \$50,000*



# Current vs Proposed CHAP Changes

No changes proposed to loan repayment

- Loan repaid based on shared appreciation formula (% of assistance):
  - At time of sale
  - Refinancing with cash-out
  - No longer owner-occupied



# Example of Shared Appreciation Formula (% of Assistance)



Purchase Price: \$400,000

Assistance Amount: \$40,000 (10% of purchase amount)

Resale Price: \$450,000 x 10 % of Resale Price = \$45,000

Client repays: \$45,000 which is \$5,000 more than assistance amount



# Scenarios

## Couple (Currently Eligible)

Combined Annual Income: **\$88,940.80**

- Administrative Assistant: \$40,539.20
- Teacher: \$48,401.60

**AMI: 102%**

Household purchasing power:  
**\$250,000**



## Couple & 1 Child (Currently Ineligible)

Combined Annual Income: **\$131,580.80**

- Teacher: \$48,401.60
- Department Head: \$83,179.20

**AMI: 134%**

Household purchasing power:  
**\$416,000**





# Proposed Permanent Affordability Option – Pilot



## *Assistance in Exchange for Permanent Affordability*

<b>AMI</b>	150% (\$146,610 household of 3)
<b>Assistance Amount</b>	Minimum \$100,000 Maximum \$200,000
<b>Matching Contribution Ratio</b>	10:1
<b>Repayable?</b>	Not a loan; Deed restriction or ground lease secures City's investment in a permanently affordable unit



# Next Steps



## **Sep-Oct 2024**

Request for Statement of Qualifications (RSOQ) drafted and reviewed

## **November 2024**

RSOQ published (30 days)

## **December 2024**

Select service provider and develop program terms and contract

## **January 2025**

Housing Commission recommendation

## **February 2025**

City Council contract approval

# Jessica Donohoe

## Housing Planner

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- Questions
- Discussion

Thank you