

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 to be used 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...

- Interest rate buy down
- ADU rental income for eligibility
- Forgiveness of down payment assistance

What if we try...

- Mortgage buy-down assistance
 - Monthly subsidy?

Has anyone ever...

- 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

- US 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



Current CHAP Criteria - Continued

Up to \$40,000 assistance

- 8:1 matching ratio
- 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

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

Recommendation:

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



Maximum Affordable Home Prices 80 - 150% AMI (2024)

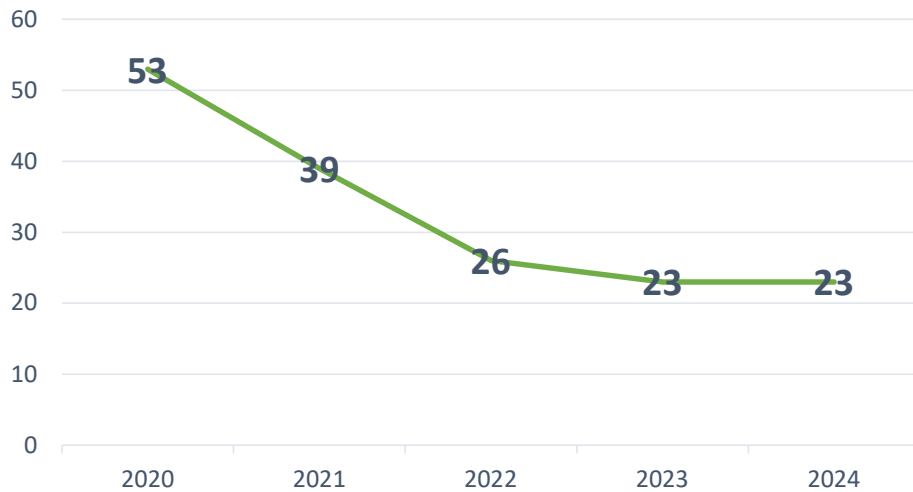
		80% AMI	100% AMI	125% AMI	150% AMI
Household of 1	Gross Annual Income	\$55,950	\$76,020	\$95,025	\$114,030
	Maximum Affordable Home Price	\$127,000	\$203,000	\$279,000	\$348,000
Household of 2	Gross Annual Income	\$63,950	\$86,880	\$108,600	\$130,320
	Maximum Affordable Home Price	\$155,000	\$244,000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



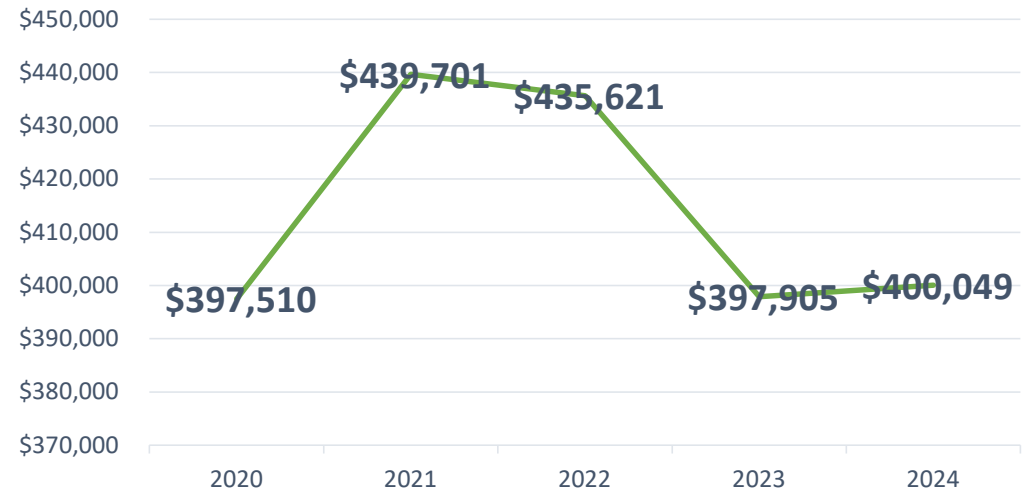
Lack of Supply Under \$550,000

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 29 financeable homes under \$550,000 within city limits as of 7/30/24



3200 S Litzler Drive, 11-147	\$275,000 ...
Flagstaff, AZ 86005	
#197389 Active	
Beds	1
Baths	1
Area	562



1650 E Ponderosa Parkway, 312	\$550,000 ...
Flagstaff, AZ 86001	
#197416 Active	
Beds	3
Baths	2
Area	1,370



Current vs Proposed Eligibility Criteria



- First-Time Homebuyer: Has not owned a home for 3 years
 - First-Time Flagstaff buyer
- Residency Requirement: Address in the FMPO Boundary
 - Lived or worked in FMPO boundary for 1 year
- Area of Home Purchase: Within Flagstaff City Limits
 - Within Flagstaff City Limits



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



Current vs Proposed CHAP Changes



Currently

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

Option

- Repayment with any refinancing, if sufficient equity



Proposed Permanent Affordability Program



	Assistance in Exchange for Permanent Affordability
AMI	150% (\$146,610 household of 3)
Assistance Amount	Minimum \$100,000 Maximum \$200,000
Matching Contribution Ratio	10:1
Repayable?	Not a loan; Deed Restriction or Ground Lease secures City's investment in a permanently affordable unit



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





Next Steps



- Incorporate Housing Commission feedback
- Attend Council Work Session - fall 2024
- Request for Statement of Qualifications (RSOQ) process - fall/winter 2024
- Contract approval for successful service provider - winter 2024/spring 2025

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- Questions
- Discussion

Thank you!