

Policies and Programs that Create Homeownership Opportunities

A nighttime photograph of a large, modern city hall building with a circular fountain in front. The building is illuminated, and the fountain is lit up. The text "Policies and Programs that Create Homeownership Opportunities" is overlaid on the image.

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Purpose of Presentation



Describe policies and programs that create homeownership opportunities for low- to moderate-income households.

Agenda



Background



Policies & Programs



Summary

Background



Background

- Homeownership not affordable for households \leq 120% AMI
- Hayward median sales price:¹
 - Detached single-family home = \$740,000
 - Attached single-family home = \$562,500
- Bring cost of homeownership within reach of lower income buyers to secure some benefits of homeownership

¹ Bay East Association of Realtor's April 2020 report

Background

Benefits & Responsibilities of Homeownership

Benefits

- Control over your home
- Housing stability
- Wealth building

Responsibilities

- Financial obligations
 - Mortgage
 - Property taxes
 - Insurance
- Maintenance or repairs
 - Planned
 - Unexpected

Background City Programs

Program	Years Active	Investment Type	Current Portfolio	Status
AHO Ownership Units	2003 – Present	Privately Financed	66 / 80	ongoing
Supporting Homeownership Development Projects	1989 - Present	Low-Mod ¹ ; Federal Grants; City Land	14 / 80	periodic
First-Time Homeownership Program	1995 – 2012	Former Redevelopment Agency Funds ²	44	discontinued

¹ Habitat for Humanity Housing Successor Agency (Housing Authority) loan for Sequoia Grove

² Total loan amount issued = \$3,691,458

Policies & Programs



Policies & Programs Discussion

Policies & Programs Reviewed:

1. Homebuyer assistance programs
2. Affordable Housing Ordinance (AHO) ownership units
3. Tenant right of first refusal policies (TROFR)
4. Community land trusts (CLT)
5. Subsidizing affordable ownership development

Policies & Programs Discussion

Factors important for the City to consider:

- Objective
 - Target population
 - How it helps
 - Contribution to the City's Regional Housing Needs (RHNA)
- Benefits
- Challenges
 - Administration costs
 - Direct costs

Policies & Programs

Homebuyer Assistance Program

Description & Objective

- Provide down payment assistance, increases purchase capacity
- Loan types: low-cost amortized loan, deferred loan, or shared appreciation loan
- Income target: moderate income
- Helps Individual purchasers
- Cost: \$125,000 per unit plus administration
- Does not contribute to RHNA goals

Policies & Programs

Homebuyer Assistance Program

Benefits

- Provides housing stability
- Facilitates wealth creation

Challenges

- Does not preserve long-term affordability
- Additional administrative support needed
- No funding available but will continue to identify funding opportunities

Policies & Programs

Affordable Housing Ordinance (AHO) Ownership Units

Description & Objective

- Market-rate developers provide percentage of one-site or off-site affordable units
- Helps community by preserving long-term affordability by recording resale restrictions against property without City subsidy.
- Income target: moderate
- Cost: Increased development costs
- Contributes to RHNA goals

Policies & Programs

Affordable Housing Ordinance (AHO) Ownership Units

Benefits

- Provides housing stability
- Preserves long-term affordability
- No City subsidy - leverage resources of market rate housing development for administrative and direct program costs
- Limited wealth creation

Challenges

- Not always feasible for developers to comply with AHO by providing affordable units
- Restrictions not always clear to purchasers
- Difficult to sell during depreciated housing market

Policies & Programs

Tenant Right of First Refusal (TROFR) Policies

Description & Objective

- Intent is to reduce the risk of displacement caused by investment by giving the tenants the opportunity to purchase private property or assigning their rights to an affordable housing developer or land trust.
- Target Income: Variety of income levels
- Depending on ownership can provide long-term affordability
- Cost: \$50,000-\$390,000 per unit depending on property size
- Two models evaluated (Multifamily and Single Family)
- Does not contribute to RHNA goals

Policies & Programs

Tenant Right of First Refusal (TROFR) Policies

Description & Objective

Multifamily (2+ Units)

- Tenants or tenant associations have right to:
 - Purchase
 - Assign right to market rate or affordable housing developer
 - Creates rental and ownership units
- Successful program:
 - Administers and enforces legislation
 - Provides significant financial assistance
 - Provides technical assistance via dedicated legal and administrative staff and consultants

Policies & Programs

Tenant Right of First Refusal (TROFR) Policies

Description & Objective

Single-family

- Legislation only
- Single-family residential properties
- Right to purchase property prior to sale on open market
- No assignment rights
 - Single-family properties exempted in D.C. in 2018 due to abuse
- Would require local subsidy to be feasible due purchase price and tenant income

Policies & Programs

Tenant Right of First Refusal (TROFR) Policies

Benefits

- Multifamily
 - Potential to create long-term affordable units if assigned to non-profit developer
 - Collective bargaining power
- Single-family
 - Eliminates competition if tenant can pay asking price

Challenges

- Puts restrictions on privately owned properties and can generate strong opposition by property owners
- Without substantial financial and technical assistance will only delay sale / adversely impact property owners
- Substantial local subsidy and administrative capacity needed

Policies & Programs

Community Land Trusts (CLT)

Description & Objective

- CLT independent, non-profit organization
- Preserves long-term affordable housing through land acquisition
- Ground lease preserves long term affordability for the community
 - Limits resale
 - Contains provision for CLT to buy back property
- CLT model can be used to:
 - Preserve existing units
 - Develop homeownership, rental, mobile home parks, commercial space, community facilities
- Income target: low to moderate
- Cost: \$150,000-\$300,000 per unit
- Acquisition of existing properties will not contribute to RHNA goals, but new development will contribute to RHNA goals

Policies & Programs

Community Land Trusts (CLT)

Benefits

- Provide long-term housing stability
- Limited wealth creation
- Preserves long-term affordability
- CLT can provide support to homeowners such as negotiating with lenders to address delinquency

Challenges

- CLTs have limited capital and may not be able to compete with investors in hot housing markets
- \$150,000 - \$300,000 per unit subsidy needed

Policies & Programs

Subsidized Affordable Ownership Developments

Description & Objective

- Provide land or subsidizing the development of affordable housing
- In exchange for financial assistance, the developer agrees to sell the home at an affordable sales price to income eligible purchaser
- Helps the community by providing long-term affordability
- Income Target: low to moderate
- Cost: \$300,000+
- Contributes to RHNA goals

Policies & Programs

Subsidized Affordable Ownership Developments

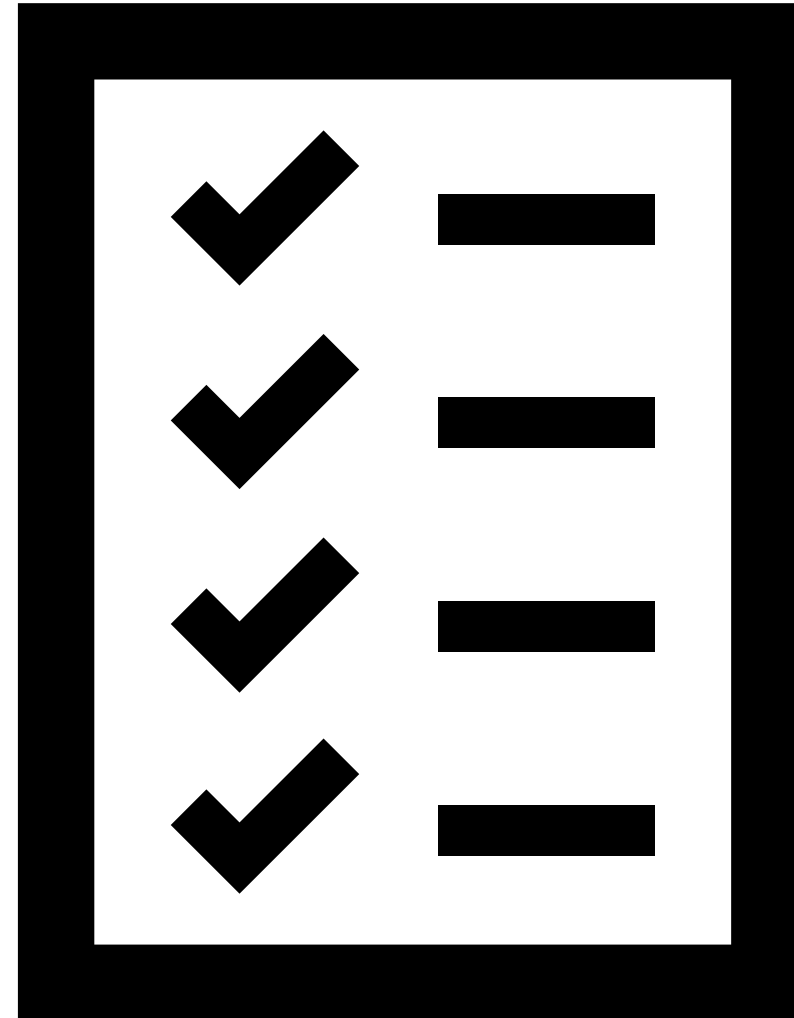
Benefits

- Provides housing stability
- Limited wealth creation
- Preserve long-term affordability
- City sets funding priorities and solicit projects that best meet City housing needs

Challenges

- \$300,000 per unit subsidy needed due to lack of other available resources

Summary



Summary Funding

- Affordable Housing Trust = \$4 million
- Can be used for:
 - Acquisition and rehabilitation for multifamily property leveraging TROFR
 - Acquisition and rehabilitation costs for land trust
 - Homeownership development subsidies
- Cannot be used for:
 - Down payment assistance
 - Down payment assistance administration costs
 - TROFR administrative costs
- Evaluate priorities and tradeoffs relative to much needed rental housing for next NOFA due to limited funding

Summary

Strategic Roadmap

- Informational report supports Strategic Priority of Preserve, Protect & Produce Housing, specifically:
 - Project 6, Part 6a: Hold work session on establishing funding priorities for Affordable Housing Trust including the potential for affordable rental housing, homeownership, co-ops, and shelter opportunities
- Preliminary discussions will inform future decisions on how to expend limited funds in Affordable Housing Trust
- Some policies and programs not listed in Strategic Roadmap would require reprioritization if supported by Council due to significant staff and financial capacity implications

Summary

Policies & Programs

Program / Policy Name	Income Target	Project Target	Housing Stability	Wealth Creation	Long-term Affordability
Homebuyer assistance program	Moderate	Existing market rate; new BMR	Yes	Yes	No
AHO ownership units	Moderate	New residential housing developments	Yes	Limited	Yes
Tenant right of first refusal policies (TROFR)	TBD	Existing rental housing	Yes	Maybe	Maybe
Community land trusts (CLT)	Low to Moderate	Depends on CLT	Yes	Limited	Yes
Subsidized affordable ownership developments	Low to Moderate	New residential housing developments	Yes	Limited	Yes

Summary

Policies and Programs

Program / Policy Name	Increased Admin Costs	Direct Program Costs	Available Funding	Adds to RHNA	Included on Strategic Roadmap
Homebuyer assistance program	Yes	\$125,000 per unit	No	No	No
AHO ownership units	No	Cost to Development	Privately Financed	Yes	N/A
Tenant right of first refusal policies (TROFR)	Yes	\$50,000 – 390,000 per unit	No	No	No
Community land trusts (CLT)	Yes	Min \$150,000 per unit	Limited	New development only	NOFA
Subsidized affordable ownership developments	No	\$300,000+	Limited	Yes	NOFA

Next Steps

- That the Homelessness-Housing Task Force (HHTF) reviews and discusses this report on programs and policies that create homeownership opportunities in the City of Hayward.

Discussion and Questions

