

Homeownership Study: Program Recommendations

Homeownership Subcommittee Meeting #1
September 2024



Agenda



Meeting Overview



Background: How Did We Get Here?



Program Recommendations



Parking Lot Ideas

Community Engagement Schedule



September 25, 2024: Housing Commission Homeownership Subcommittee Meeting #1



October 1, 2024: HUD PRO Housing Grant* Public Hearing



October 8, 2024: Housing Commission Homeownership Subcommittee Meeting #2



October 10, 2024: Housing Commission Information Item



October 15, 2024: HUD PRO Application Deadline



October-November 2024: Continued Engagement, As Needed

***What is HUD PRO?** HUD Funding opportunity that the County is applying for to support implementation of recommendations.

Application Deadline:
October 15, 2024

Subcommittee Meeting Overview

**Today
(September 25):**

Recommendations
for
Existing Programs

**Next Meeting
(October 8):**

Recommendations
for
New Programs

Parking Lot:

For considerations
**not reflected in the
Recommendations.**

Items will be
discussed at the
end of each
meeting.

Homeownership Study Goals and Objectives

STUDY GOALS: Homeownership Program Recommendations

- Clarify the community's vision and goals for homeownership programs.
- Create better homeownership outcomes for Persons of Color and other underserved populations.
- Increase available resources for existing homeowners.

OBJECTIVES:

- Assess key trends related to for-sale housing market, mortgage financing, and cost burden of owner households.
- Examine existing homeownership programs through an equity lens.
- Define community's values and goals related to homeownership.
- Determine whether existing homeownership programs support Arlington's homeownership goals.
- Assess opportunities for potential homebuyers and existing homeowners.
- Recommend modifications to existing programs or new programs to consider.

Homeownership Study Overview

- Launched study in Summer 2022; expected to conclude Fall of 2024
- Three Phases (data analysis, community engagement, recommendations)

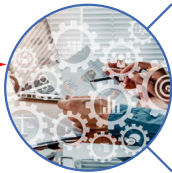
2022 - 2023



Phase 1: Assessed homeownership market data, purchase barriers, economic and demographic characteristics of owners, and more. Also examined the participation and history of existing County homeownership assistance programs.



Phase 2: Developed a vision statement and goals for the homeownership programs in partnership with the community.



Phase 3: Develop recommendations for improvements to existing homeownership programs and potential new additions.

Now

Homeownership Study Kick-Off

July 2022



Planning: Developing scope of work, timelines, community engagement plan, soliciting consultant support, securing buy-in internally to move forward with the study.



Homeownership Barriers Analysis: For-sale housing stock, development trends, homeownership rates, economic and demographic characteristics of owner households, housing cost burdens and mortgage lending activities



Program Review: Program participation history and analysis of beneficiary demographics.

October 2022

February 2023

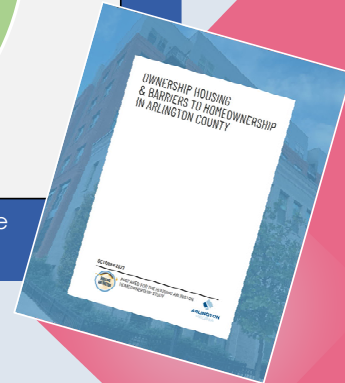
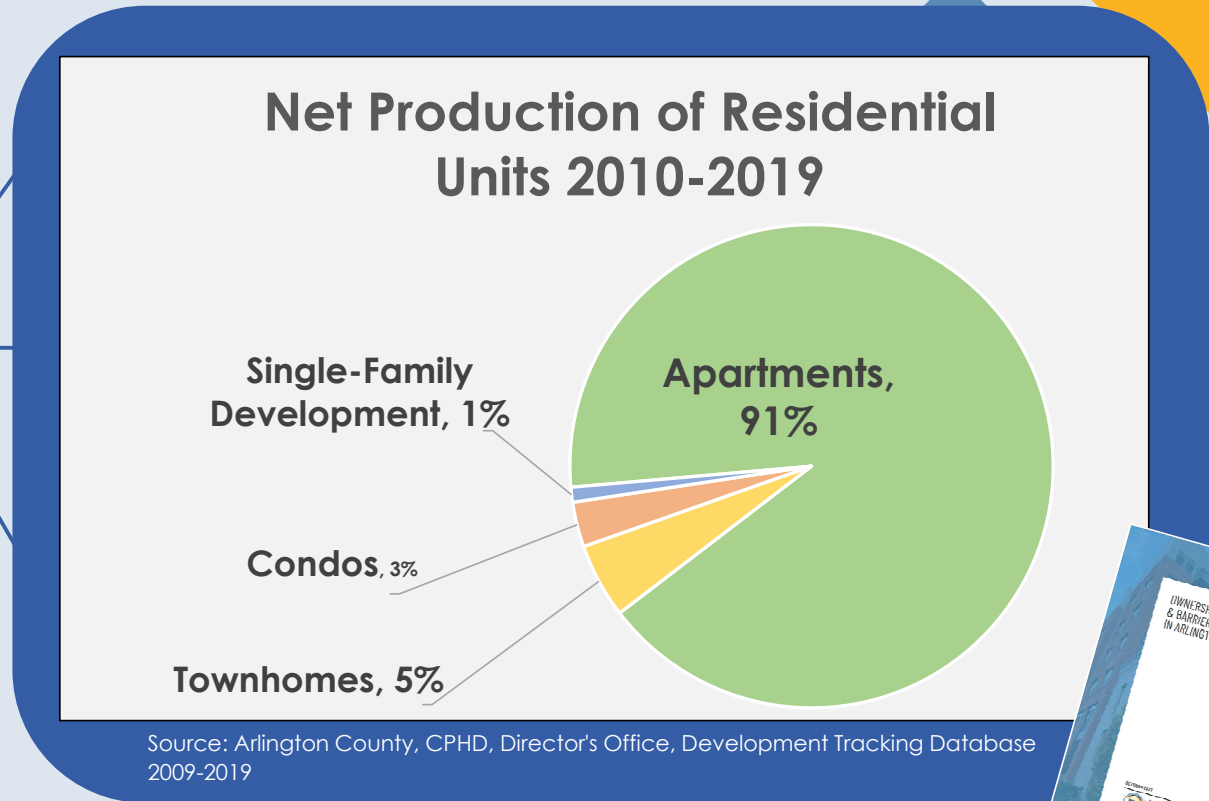
Phase 1: Barriers Analysis

July 2022

October 2022

February 2023

March-June 2023



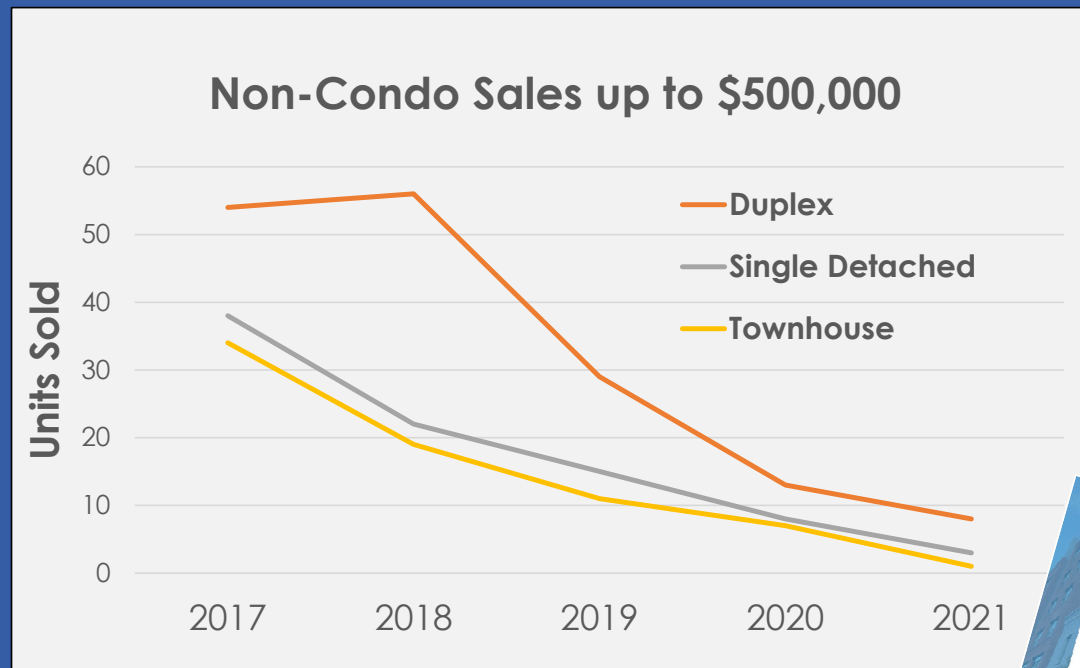
Phase 1: Barriers Analysis

July 2022

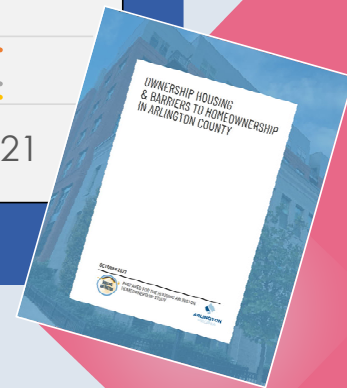
October 2022

February 2023

March-June 2023



Source: BrightMLS



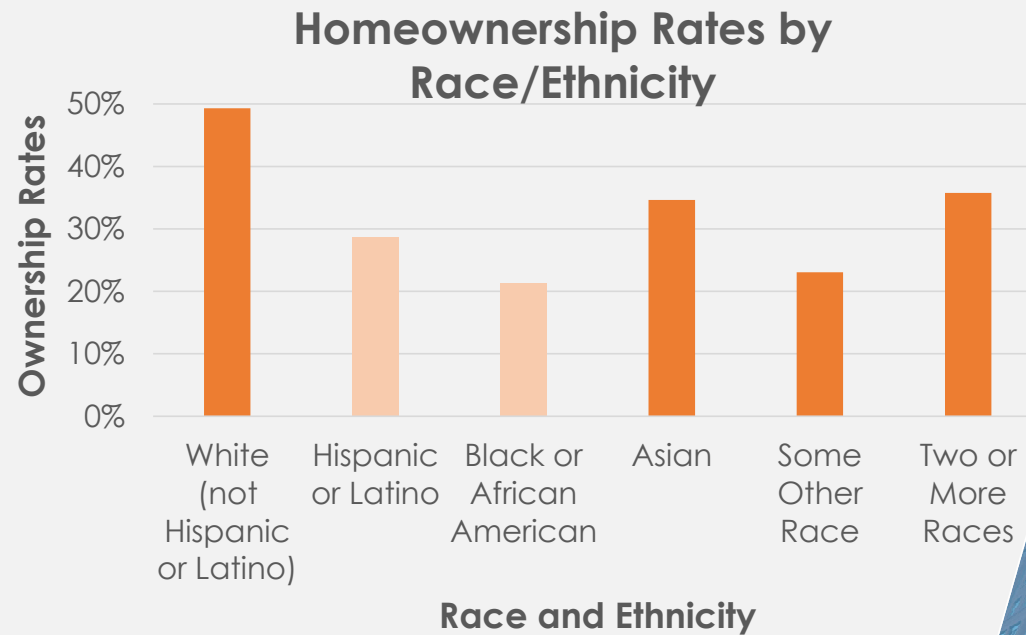
Phase 1: Barriers Analysis

July 2022

October 2022

February 2023

March-June 2023



Source: US Census Bureau, American Community Survey, 2016-2020 Five-year Estimates, table S2502



Phase 1: Barriers Analysis



Race/Ethnicity of Applicant	Denial Rate	Race/Ethnicity of Borrower	Rate Spread
Asian	3.9%	Asian	0.01
Black or African American	9.3%	Black or African American	0.21
Hispanic or Latino	7.2%	Hispanic or Latino	0.11
Race Not Available	2.4%	Race Not Available	0.06
White (not Hispanic)	2.7%	White (not Hispanic)	0.03
All Applications	3.3%	All Loans	0.05

Source: Consumer Financial Protection Bureau, HMDA 2021



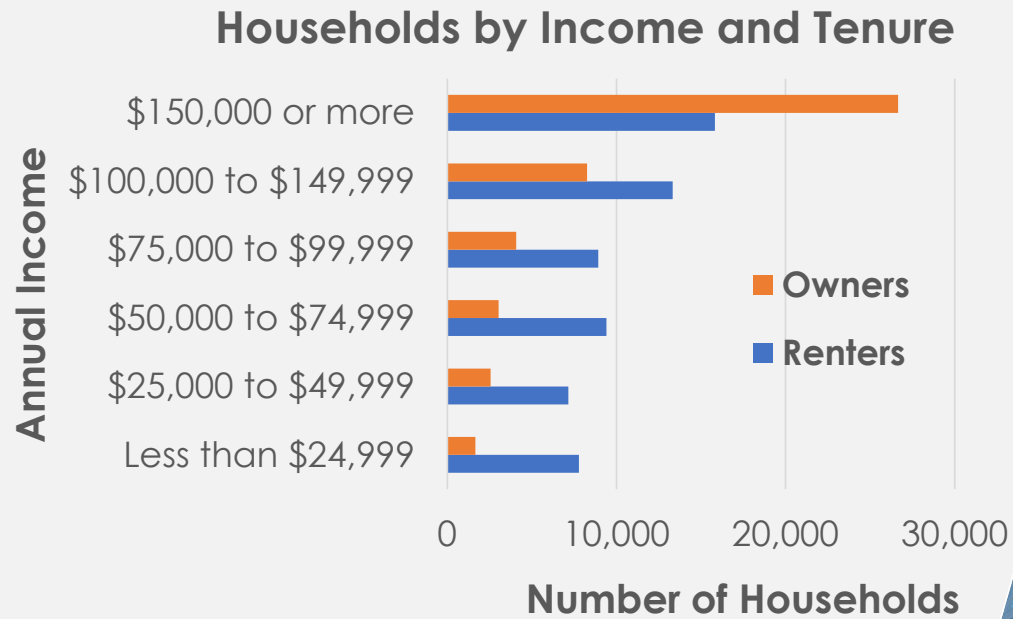
Phase 1: Barriers Analysis

July 2022

October 2022

February 2023

March-June 2023



Source: US Census Bureau, American Community Survey, 2016-2020 Five-Year Estimates, Table B25118



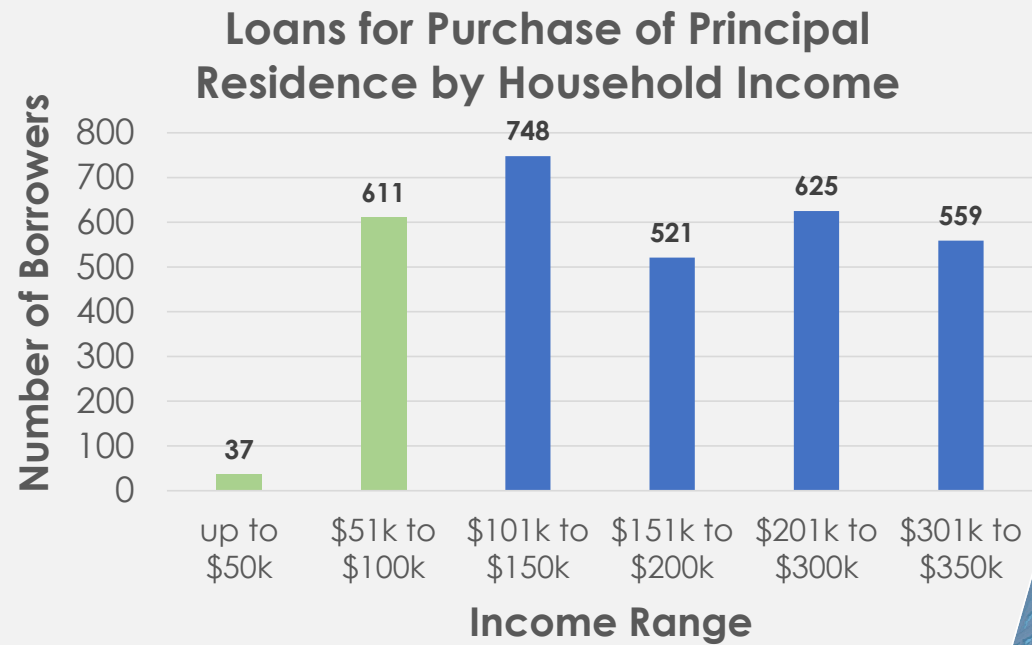
Phase 1: Barriers Analysis

July 2022

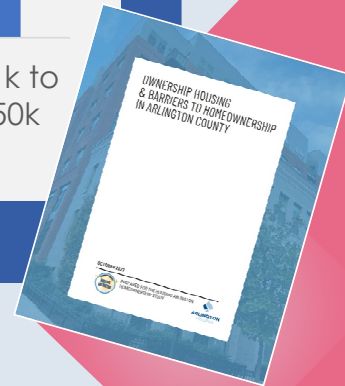
October 2022

February 2023

March-June 2023



Source: Consumer Financial Protection Bureau, HMDA 2021



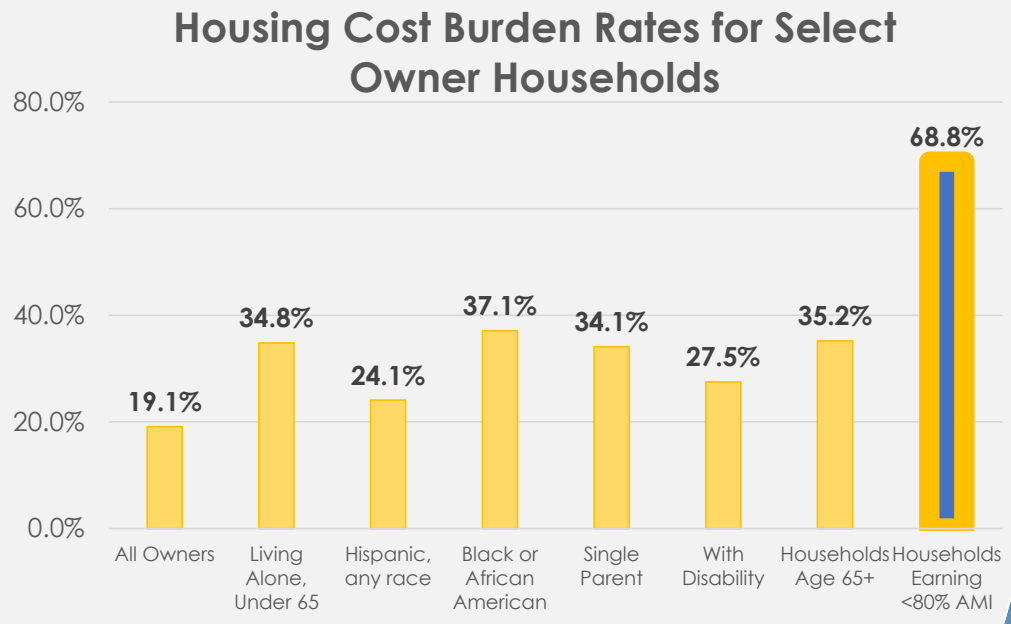
Phase 1: Barriers Analysis

July 2022

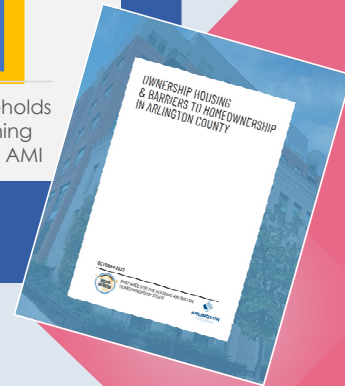
October 2022

February 2023

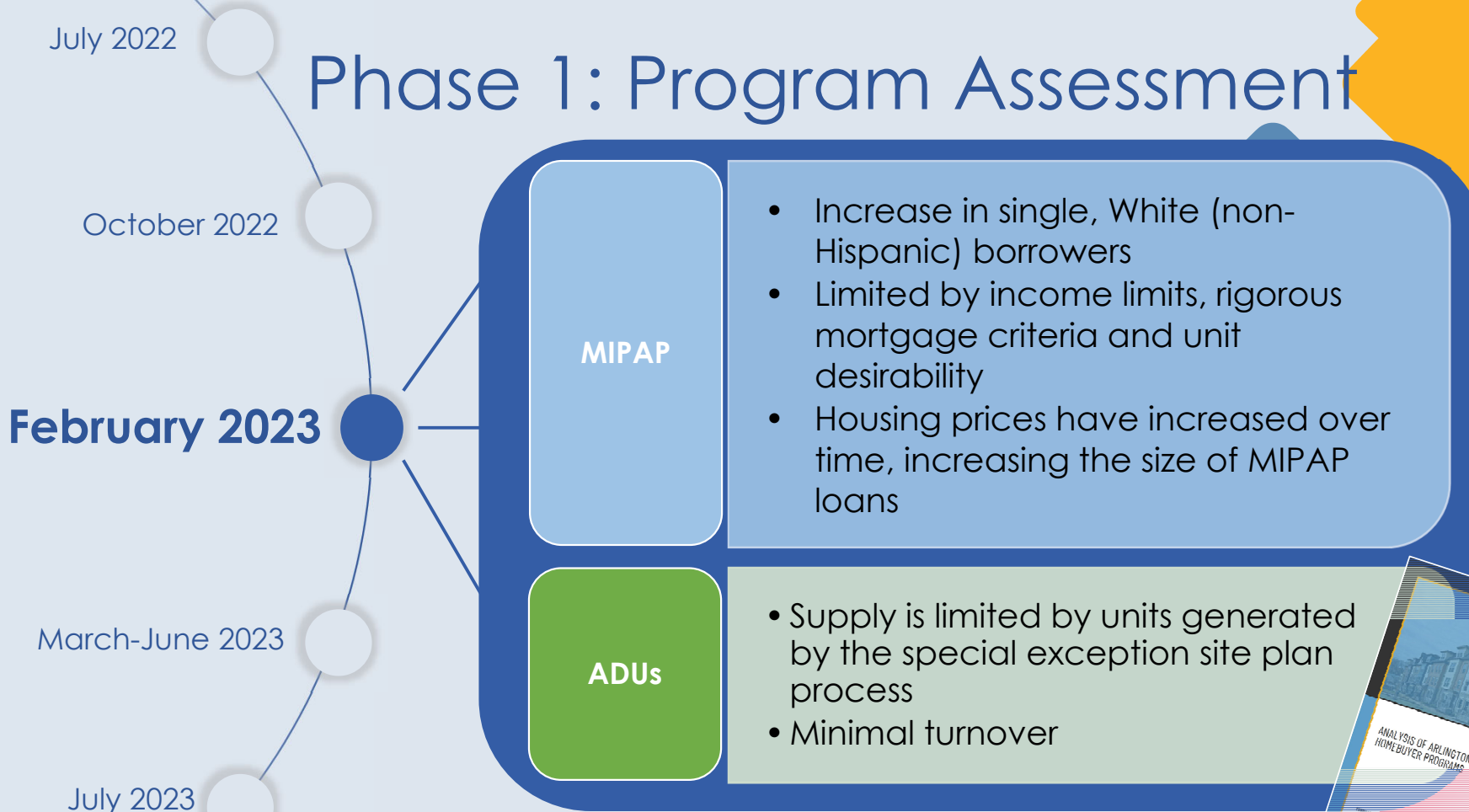
March-June 2023



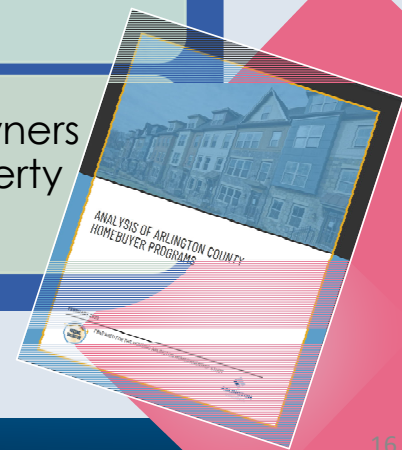
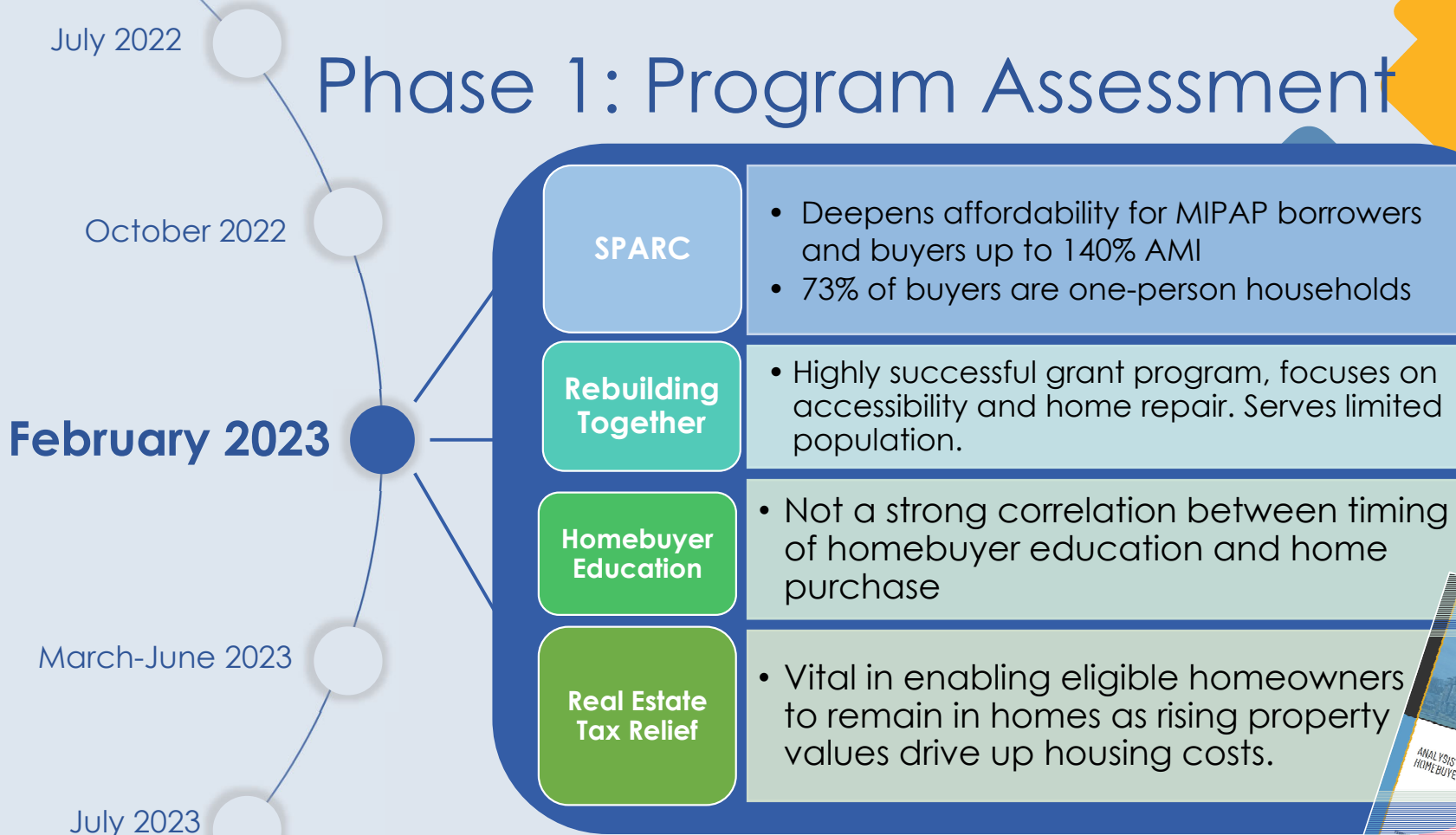
Source: US Census Bureau, American Community Survey, 2021 One-Year Estimates, Table DP04 2



Phase 1: Program Assessment



Phase 1: Program Assessment



Phase 2: Community Engagement

October 2022

February 2023

March-June 2023

July 2023

- **Roundtables:** 5 small groups sessions; 36 participants
- **Online Feedback:** 975+ unique participants
- **Pop-Up Events:** 8 pop-ups; 150+ unique participants for feedback questionnaire

February 2023

Phase 2: Community Engagement

March-June 2023



Homeownership Subcommittee Work Session:

◆ Developed a draft vision statement and supporting goals

20 members in attendance

July 2023



Community Workshop to Develop Homeownership Vision, Goals, & Objectives:

◆ Refined draft vision statement and established objectives to support goals.

70+ workshop participants

Homeownership Program Vision

Arlington's homeownership programs serve as a catalyst to preserve and expand affordable homeownership opportunities.

--Established through engagement with Homeownership Subcommittee, advocates, stakeholders, and the community at-large.



Homeownership Program Goals



1. *Reduce racial homeownership gaps.*



2. *Support existing homeowners in maintaining housing in the community.*



3. *Increase the production of homeownership housing supply.*

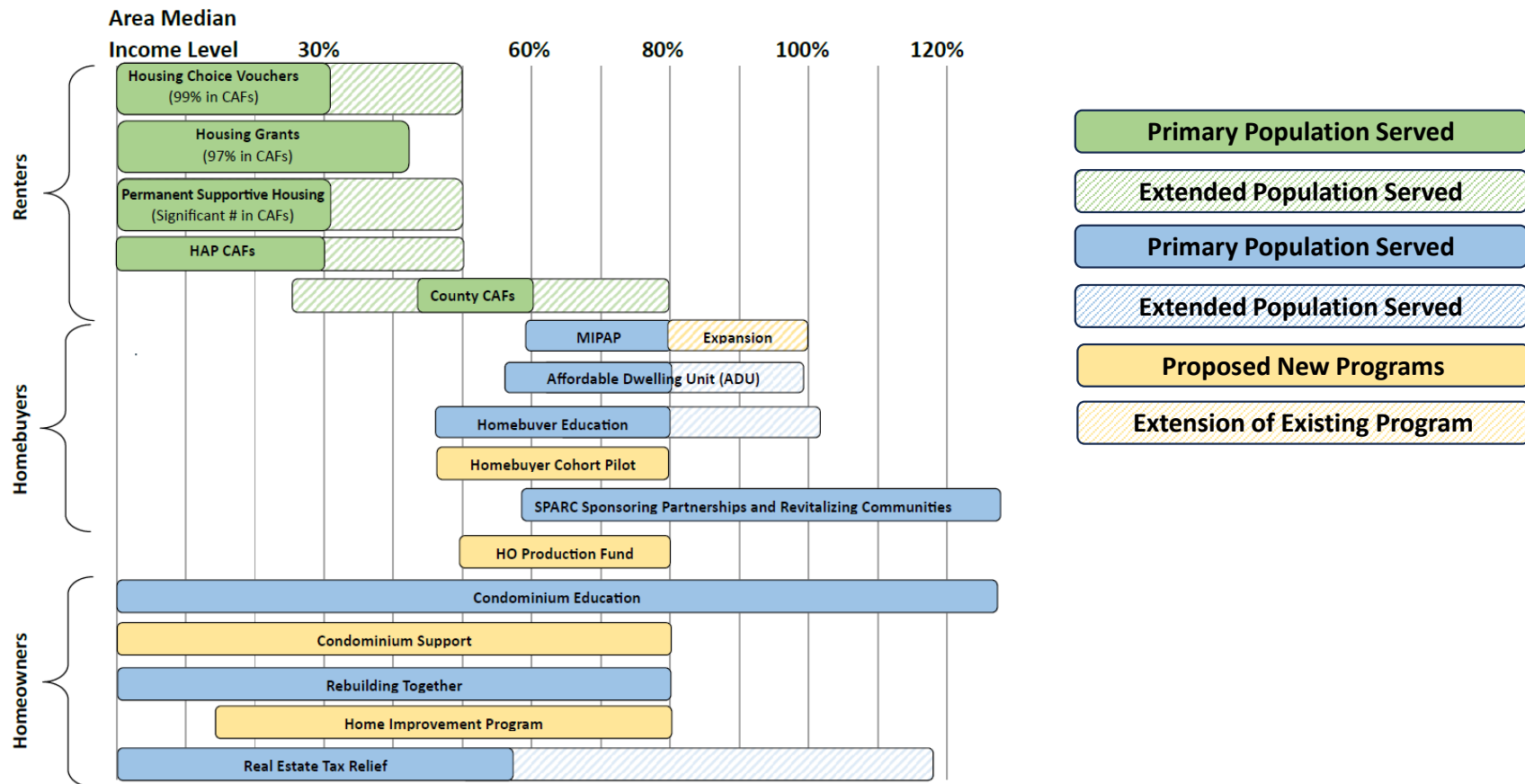


4. *Create pathways to homeownership for renters.*

Recommendations Overview

Existing Programs	New Programs
<p>Moderate Income Purchase Assistance Program (MIPAP): Revise program parameters; Expand program to create equity-focused tiered assistance and tier that serves 80-100% AMI; develop targeted outreach strategy.</p>	<p>Homebuyer Cohort Pilot Program: Provide education, guidance, technical assistance, and support to low- and moderate-income renters.</p>
<p>Affordable Dwelling Unit Program (ADU): Examine ADU resale restrictions; examine physical conditions of existing ADUs, create set-aside in HIP program for ADU owners.</p>	<p>Home Improvement Loan Program: Relaunch home improvement loan program to support existing homeowners in maintaining housing. Create set-aside for ADU and condo owners.</p>
<p>Condominium Support: Expand education offerings and create technical assistance opportunity; create set-aside in HIP program for condo owners.</p>	<p>Homeownership Production Fund: Incentivize the creation of affordable homeownership through EHO permits. Consider Right of First Refusal for newly created affordable EHO units through homeownership production fund.</p>
<p>Education and Technical Assistance: Expand homebuyer education and targeted outreach; homeowner education.</p>	
<p>Real Estate Tax Relief (RETR) Program: Review RETR program.</p>	

Housing Programs and Income Levels Served



Feedback from Subcommittee Members

- Do you have specific questions about recommendations (how the programs will work, timing, who County intends to target, etc.)?
- Questions about how the recommendations apply to our vision or goals?
- Do you agree with the recommendation?
- Are there other ideas to consider that could achieve a similar program goal?

Recommendations: Existing Programs

1) *Moderate-Income Purchase Assistance Program (MIPAP)*

Why Are Changes Necessary?

- Market challenges and program parameters combined are creating barriers for applicants. Availability of homeownership housing is extremely limited at MIPAP income limits and maximum purchase prices limits.
- For Persons of Color, homeownership rates are significantly lower, mortgage denial rates are higher, and mortgage interest rates charged are higher, yet racial equity has not been at the forefront of program design.
- There is a general lack of knowledge about availability of the County's downpayment assistance program.
- Program parameters are often duplicative and overly-burdensome for applicants.

Recommendations: Existing Programs

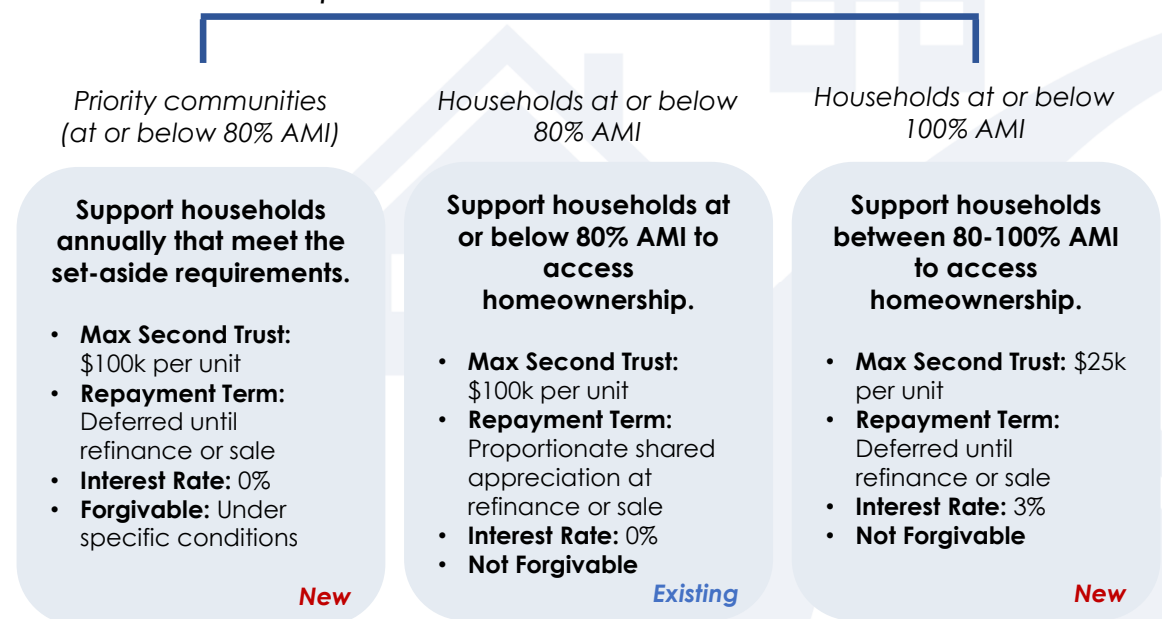
1) Moderate-Income Purchase Assistance Program (MIPAP)

Program Recommendations

- Program parameters:
 - Improve application process.
 - Eliminate credit score requirements.
 - Increase purchase price limit from \$500k to \$650k.*
 - Require post-purchase education.
- Equity-focused tiered assistance
- Target outreach to communities facing historical housing inequities: Persons of Color, larger households, first-generation homebuyers, households in historically marginalized communities.
- Explore partnerships with more pre-approved lenders and housing counselors.

*Generally, a household of four with little debt, earning 80% of AMI can afford homes priced at around \$470k.

Moderate-Income Purchase Assistance Program Proposed Tiered Assistance Model



Recommendations: Existing Programs

1) Moderate-Income Purchase Assistance Program (MIPAP)

Homeownership Program Goals Alignment

Goal 1: Reduce racial homeownership gaps.

- Equity-focused tiered assistance structure will target populations that have historically been left out of the homeownership market.
- A targeted outreach strategy will allow for more intentional marketing of the program to historically marginalized communities.
- Additional partnerships with more pre-approved lenders and housing counselors will expand network of practitioners, who might be more connected to marginalized populations.

Goal 4: Create pathways to homeownership for renters.

- Adjusting program parameters will ease application process.
- Additional partnerships with more pre-approved lenders and housing counselors will expand network of practitioners, some of whom might be more connected to renters looking to purchase.
- Requiring post-purchase counseling will create better homeownership readiness for former renters.

Regional Down Payment Assistance Programs

Regional First-Time Homebuyer Loan Comparison

	Arlington - existing	Arlington – recommendations			Loudoun	Alexandria	District of Columbia	
Program Name	Moderate-Income Purchase Assistance Program (MIPAP)	Moderate-Income Purchase Assistance Program (MIPAP)			Down Payment and Closing Cost (DPCC)	Flexible Homeownership Assistance Program (FHAP)	Home Purchase Assistance Program (HPAP)	
Maximum Assistance	25% of sales price up to \$112,500	Up to \$100k for HH below 80% AMI Up to \$25k for HH below 100%AMI			10% of sales price up to \$25k	\$20k-\$50k HUD and local funding	Income	Max Assistance
Income Limit	80% AMI / \$113,840 for household of four (4)	Tiered assistance up to 100% AMI			\$45,650- \$106,500	Tiered assistance up to 100% AMI	50% AMI	\$202k
Credit Score Required	660+	None			620	None	51-80% AMI	\$101k-161k
Residency Requirement	None	None			Live or work in County last 6 months	Live or work in County last 6 months	81-100% AMI	\$70k-\$80k
Loan Terms	30-year 0% Interest No Monthly Payments / Deferred	Priority communities: 0% Interest Forgivable	80% AMI> HH: 0% Interest No Monthly Payments / Deferred	80-100% AMI HH: 3% Interest Repayment deferred until sale or refinance.	30-year 5% Interest Monthly Payments	99-year 0% Interest Deferred	50-80% AMI: Deferred Payable at transfer	51-100% AMI: Payments deferred first 5 years. Monthly payments at year 6.
Buyer Contribution	1%	1%			\$1k	\$2,500	\$500 or 50% of liquid assets greater than \$3,000.	
Debt-to-Income Limit	45%	45%			42%	41%	Unknown	
Other stipulations	Shared appreciation model – County receives up to 25% of appreciation depending on MIPAP percentage of sales price	Priority communities: Forgivable under certain conditions	80% AMI> HH: Traditional Shared appreciation MIPAP model	100% AMI> HH: Lower maximum loan amount at a below-market, fixed-rate.	Must have demonstrated need (e.g., minimal savings/assets to cover closing costs)	Anti-speculation surcharge if buyer sells within five (5) years of purchase	No ownership interest in other residential real estate within 3 years of application. Home must be primary residence.	

Recommendations: Existing Programs

2) Affordable Dwelling Unit (ADU) Program

Why Are Changes Necessary?

- Development trends over the last several years have limited the number of available ADUs.
- The ADU portfolio is aging and likely in need of repair; the oldest ADUs being 78 and 72 years old.
- Long-term affordability restrictions place limitations on the resale process that may in turn limit wealth-building opportunities for participants.
- Other regional local governments have expiring resale restrictions, or none at all.

District of Columbia	Montgomery County	Fairfax County	Loudoun County
Resale restrictions do not expire (for-sale inclusionary zoning units).	Restrictions expire after 30 years (MPDU*) or 20 years (WHP**).	Restrictions expire after a homeowner remains in the unit for 30 years.	Restrictions expire after 15 years.

*Moderately Priced Dwelling Unit Program

** Workforce Housing Program

Recommendations: Existing Programs

2) Affordable Dwelling Unit (ADU) Program

Program Recommendations

- Review ADU portfolio to confirm:
 - Physical condition of existing ADUs.
 - Whether current resale restrictions limit wealth-building opportunities.
- Create set-aside of funding to address repair needs of existing ADUs.
- Potentially revise resale formula or add expiration date to affordability restrictions for future ADUs.

Homeownership Program Goals Alignment

Goal 1: Reduce racial homeownership gaps.

- Adjusting ADU resale provisions may ease barriers to wealth-building for program participants, addressing the racial wealth gap.

Goal 2: Support existing homeowners in maintaining housing in the community.

- Providing financial support to address ADU repairs or maintenance will support existing Arlington homeowners.

Goal 3: Increase the production of homeownership housing supply.

- Better understanding the physical conditions of existing ADUs and a funding set-aside to address repairs will protect the supply of existing homeownership units.

Recommendations: Existing Programs

3) Condominium Support

Why Are Changes Necessary?

- Condos make up most entry-level housing in Arlington, but rising condo fees can be a barrier to purchasing.
- Arlington's condo stock is aging.
- Special assessments for capital needs can be a barrier to maintaining homeownership for some low- or moderate-income condo owners.
- The existing Condo Education Series is not fully meeting the needs for education and technical assistance.

Recommendations: Existing Programs

3) Condominium Support

Program Recommendations

- Provide financial support for low-income condo owners impacted by special assessments.
- Expand education and technical assistance opportunities for condo owners and associations.

Homeownership Program Goals Alignment

Goal 2: Support existing homeowners in maintaining housing in the community.

- Financial support and expanded education and technical assistance will support existing condo owners in maintaining ownership.

Recommendations: Existing Programs

4) Education and Technical Assistance

Why Are Changes Necessary?

- Existing homebuyer education is helpful and necessary but lacks a personalized approach for potential buyers.
- Post-purchase education and opportunities for existing homeowners are limited.

Recommendations: Existing Programs

4) Education and Technical Assistance

Program Recommendations

Homebuyer Education and Outreach

- Targeted outreach strategy to ensure the set-aside funding for programs reaches priority communities (see MIPAP #1 and HIP #6 recommendations).
- Homebuyer Cohort Pilot Program (see recommendation #6).

Homeowner Education

- Require post-purchase education for program participants and make courses available to other new homeowners in the County.
- Expand and strengthen the existing Condo Education Series (see recommendation #3).
- Develop technical assistance program for condo boards and associations (see recommendation #3).

3rd party
Vendor to
administer
programs

Recommendations: Existing Programs

4) Education and Technical Assistance

Homeownership Program Goals Alignment

Goal 1: Reduce racial homeownership gaps.

- A targeted outreach strategy will allow for more intentional marketing of the program to historically marginalized communities.
- A Homeownership Cohort Pilot will prioritize moderate-income and first-generation households, which will consider racial equity.

Goal 2: Support existing homeowners in maintaining housing in the community.

- Requiring post-purchase counseling will support new homeowners in maintaining housing.
- Expanding and strengthening the Condo Education Series will support existing condo owners in maintaining ownership.
- Condo technical assistance will create additional support for condo boards.

Goal 4: Create pathways to homeownership for renters.

- Requiring post-purchase counseling will better prepare renters for homeownership readiness.
- Personalized technical assistance through Homeownership Cohort Pilot will support more renters on the path to homeownership.

Recommendations: Existing Programs

5) Real Estate Tax Relief (RETR) Program

Why Are Changes Necessary?

- Property taxes can be a burden for households with fixed incomes.
- Elderly and disabled homeowners face barriers in maintaining homeownership.
- The RETR program was last reviewed in 2017 and has not been examined using an equity lens, other than annual review of participation data.

Recommendations: Existing Programs

5) Real Estate Tax Relief (RETR) Program

Program Recommendations

- Review RETR with an equity lens in addition to the program examination that occurs annually using a limited equity analysis.
- Any future review should consider an assessment around effective staff capacity models, systems infrastructure, cross-jurisdictional comparisons, and resources needed.
- Staff supports a review of the potential impact for homeowners with acquired secondary mortgages that may be subjected to deed of trust violations when tax deferrals are sought.

Homeownership Program Goals Alignment

Goal 1: Reduce racial homeownership gaps.

- An equity-focused review of the Real Estate Tax Relief program would ensure homeowners most in need of relief are benefitting.

Goal 2: Support existing homeowners in maintaining housing in the community.

- Depending on the results of the RETR review and the modifications that are recommended, a reduced tax burden for elderly and disabled homeowners would further support households in maintaining housing.