

OneAthens Affordable Housing Initiative
Implementation Team Meeting
May 29, 2007
7:00-9:30PM, Fanning Institute

In Attendance: Tom Rodgers (Chair), Heather Benham (Athens Land Trust), Oscar Cardenas (People of Hope), Matt Murphy (ACC Dept. of Human and Economic Development), Rick Parker (Athens Housing Authority), Anne Sweaney (UGA Family and Consumer Sciences), Malisa Thompson (GA Dept. of Community Affairs), Wilson Elder (Real Estate Developer), Angela Johnson (ALT Homeowner), Larry Hill (Habitat for Humanity), Charles Cofer (Palm House Recovery Center), Patty Freeman-Lynde (Interfaith Hospitality Network), Mable Mitchell (Prudential), Susan Bogardus (BB&T), Karen Tinsley (UGA's Housing and Demographic Research Center), Delene Porter (PPA)

- I. Tom gave Welcome and asked for Introductions.
- II. Ground Rules- Tom introduced ground rules for Team Meetings:
 1. Start on Time and End on Time.
 2. Keep an open mind.
 3. Discussion must remain on the initiative being discussed.
 4. Be respectful of one another, which includes not talking over each other.
 5. No personal attacks – no personal agendas.
 6. Our meetings are open to the public; everyone is welcome to attend.
 7. Only team members will be allowed to participate in the discussion during the meeting.
 8. Public comments and input related to items on the agenda will be welcome during the last 15 minutes of the meeting.Group accepted ground rules and clarified that if a Team member has to send someone in their place for a meeting, the replacement would have full participatory rights.
- III. Approve minutes- Matt moved to approve minutes and Oscar seconded.
- IV. OneAthens Products and PPA Recommendations- Tom asked Team to reflect on the OneAthens Products as they relate to the recommendations from the PPA Housing Committee. There was little group discussion, but the subject will be revisited as the Team moves forward in finalizing their products.
- V. Lease to Purchase Program brainstorming led by Malisa Thompson- summary follows, for full notes, see bottom of document.

What could DCA Provide? Malisa Thompson will ask.

 - Buy down cost of home
 - Support for a Case Manager and Peer to Peer program
 - Support for management costs

- Support for Individual Development Accounts to help families build up down payment and home repair funds

What do the Housing Team and community need to provide?

- Need to supply the units
- Need to supply the people for the program
- Develop Homebuyer Education Program specific to Lease Purchase
- Develop Peer-to-peer program for financial literacy and support
- Design the Lease Purchase Program- 5 year and 2 year program, transparent, easy to access, who owns, markets, administers education?
- Need to understand the market- do a market analysis for this program?

VI. What is GICH? GICH discussion will be saved for next meeting. The Housing Team will need to decide on what products they will be perusing. GICH might be a vehicle to get technical and financial support for the PPA recommendations, etc.

VII. Next Meeting- Team agreed to look at increasing affordable rental at next meeting.

- Who do we need to hear from? Apartment complex owners, Property managers association, Nancy Dove with Section 8?
- Rick Parker will present results of Housing Authority study on rental

Next Meeting: Tuesday, June 12 from 7-9:30pm at the Fanning Institute

LEASE TO PURCHASE PROGRAM FULL DISCUSSION:

Lease/Purchase discussion- The first product the Team did discuss would be to develop a pilot Lease Purchase program with the Department of Community Affairs. Malisa led group in brainstorming discussion:

This will be DCA's first Lease Purchas Program and Athens is being asked to help design the pilot.

Who will participate, who should be the lead agency, who will run homebuyer education, who will manage the properties, what should DCA provide, and what will the community provide are all questions which need to be discussed.

Team started by looking at some of the strengths and weaknesses of a Lease Purchas approach.

Strengths:

- Many families in Athens have bad or no credit and need a Lease Purchase option to get to homeownership. Also provides way to really know if they're ready.
- Athens Land Trust is currently doing a Lease Purchase Program. It has been time consuming, but very beneficial for their clients.

Weaknesses:

- Have long periods of time that home is “leased” that you need infrastructure to gather rent and upkeep properties
- Have to increase the monthly payment to build up money for a down payment making the home initially (during the lease period) less affordable (\$100 over market rate)
- Need IDA accounts to roll that money into down payment or home repairs
 - o Athens Land Trust allows families to build up escrow for down payment or repairs
 - o Not all of the Leases have resulted in a Purchase, but the clients were able to test and see if homeownership was right for them
 - o National average is about 50% of Leases turn into Purchases
- HOME funds apply more restrictions- if a home does not move from Lease to Ownership in 3 years it is considered rental and the agency is penalized
- Need to subsidize management cost
 - o Developer fees?
 - o Construction
- Need a case manager to work with families over long periods of time
 - o Could we hire a case manager to help all the agencies?
 - o Maybe a Mortgage company or realtor could help track clients- don't usually do this, but some individuals do
- Still need some prequalification- can we get people into a program before they can pre-qualify with a bank- that is where we need to start
- Need to know who this program would serve- 10,000 households?
- Need to build up demand for this program- not only do we need help with credit cleanup and qualifying, but also with marketing
- Need to create a homebuyer education program specifically for this Lease Purchase program- can work over long periods of time, etc.
- Need banks that are willing to give 30 year fixed rate mortgages
- Banks there are real and perceived barriers to going to a bank
- Need to crunch the numbers to find out exactly how much subsidy is needed
- Where will the Housing come from?
 - o The \$120K stock isn't large
 - o Scattered site is preferable
 - o Difficult to deal with existing homes because there are so many sellers, could build new
 - o Fannie/Freddie/HUD require a lot for condo projects, could possibly do town homes- but new or rehab is better than existing
 - o Market wants stand-alone, single family
 - o Can't build for less than \$125K- \$125K at 6.25% with taxes = \$970 per month- need supplement from HOME, AH, DCA program income, Section 8 Home ownership program?
 - o Houses have to be \$92K or less- many need to be much less
 - At \$90K need \$568 + taxes = \$741.65 + utilities (\$150) = \$900 per month, this means the family would have to make \$32,400 per year and this does not include the cost of repairs and

upkeep = need to make low to mid \$30K- hard for single earners as well as many two earners WHO ARE WE TARGETING?

- Subsidy in the soft/silent second mortgage that can be recouped upon sale of the house- but this drives up cost of the sale price since they have to sell at the highest price possible
 - ALT preserves even more of the public investment and keeps the house affordable by retaining ownership of the land beneath the home
- Need a builder buy-down program

Possible solutions:

- Need a 5 year program and a 2 year program-
 - for first 3 years you work on credit and then transition into the 2 years program where you're in a house with a lease- so people can plug in at different stages
 - People in the 5 year program get priority over new people entering the 2 year program so that they can see their hard work is not going unnoticed
 - For the 2 year, really need people who have already been working on it, but need some time since it takes 6 months for improvements to show on credit report
 - Can't give people too much time or there is no incentive
- FHA gives most leniency in requirements for down payment- only need 3%
 - The money is out there for down payments, it really comes down to credit
- Target first time home buyers (can include anyone who hasn't been in a home they owned in 3 years and/or a displaced homebuyer- very flexible)
- Mortgage brokers can be creative- only need 4 documents of credit (could be a letter from minister about tithing) just need to know how to document it
- Elder has proposed project with 420 units in one location with 10% for low to moderate income
- Program needs to be transparent and easy to use. Clients need to know where they can plug in- where do they go first, who does the initial counseling
- Need a "No Credit, Bad Credit, No Problem" marketing push- they still have to work and put in time and money, but need it to be as accessible as buying a car- except not high interest rates or loan arms
- Clients have to know which debts to start with and how to prioritize clean-up- Peer to Peer
- Need different time options for classes- evenings and weekends
- Need a financial education curriculum that works with this program
 - FDIC has credit lending curriculum for free, but need to adapt
- Some lenders may be willing to mentor

Should we pick a number of houses and clients? 100? Between the Housing Authority, Athens Land Trust, EADC, and private developers, could we have 100 homes coming on line? Could we get 100 potential Lease/Purchasers?

What Agencies would be involved? UGA (any thought to employer assisted housing), DCA, EADC, HELP, Hancock CDC, Extension Service, Fiscal Agent?, Who owns?, ALT, AHA (Could use one of its nonprofit corporations as leasing agent to avoid perception that these are public housing)

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