



## Legislation Text

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**File #:** 16-139, **Version:** 2

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### **TITLE:**

Buyer Identified Homeownership Program

**PURPOSE:** The purpose of this item is for the Board to consider adding the Buyer Identified Homeownership Program to the Town's affordable housing programs.

**DEPARTMENT:** Manager's Office

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**INFORMATION:** The Buyer Identified Homeownership Program (BIHP) is a proposed program out of the Affordable Housing Fund. The intention of the program is to increase affordable homeownership opportunities in Carrboro and increase the permanently affordable housing stock. This program would be treated as a pilot-type program that would be evaluated and refined after it is used, based on the Town and applicant's experience.

BIHP is designed for situations where residents are working with nonprofit affordable homeownership providers to find an affordable home, but are unable to find an available home that fits their needs. This could be because the resident needs handicap accessibility throughout the house and none of the homes available have those features, or they simply need a three bedroom home and all that are available at that time are one and two bedroom homes. Whatever the case, this program provides a framework for assisting these residents by providing grant subsidies to the nonprofit they are working with to purchase a market rate home that will then be incorporated into the permanently affordable housing stock.

### **Example**

Jane is looking to purchase a home in Carrboro. She is working with the Community Home Trust and has been determined to be mortgage ready. She needs a three bedroom home to accommodate her family, but the Home Trust currently only has one and two bedroom homes available. Jane and/or the Home Trust find a three bedroom townhouse on the market for \$160,000. Jane can only afford a mortgage of \$110,000. Therefore, if the house were to be purchased and brought into the Home Trust's housing stock, \$50,000 is needed in subsidy.

The Home Trust has \$15,000 available in HOME funds and is also able to receive Second Mortgage assistance from the North Carolina Housing Finance Agency for \$15,000. Community Home Trust is then able to apply to the Town's housing fund for BIHP money for the remaining \$20,000 needed to purchase the home.

If the Board approves the application, the resident would be able to become a homeowner in Carrboro and the

Town's existing stock of permanently affordable housing would increase.

### **Alignment with Affordable Housing Plan**

BIHP is in line with at least two goals of the Town's Affordable Housing Goals and Strategies and is directly related to the implementation of one strategy. BIHP could help achieve Goal 1.1, "Increase the number of homeownership units that are permanently affordable in Carrboro." The program would also serve as a tool to achieving Goal 1.3, "Decrease barriers to first-time homeownership." In particular, the Goals and Strategies call for a similar program with Strategy 1.3A1, which calls to provide "Downpayment assistance for families participating in local homebuyer education programs."

The Affordable Housing Task Force reviewed the program at their February meeting. The Task Force endorsed the program and recommended bringing it to the Board of Aldermen for their consideration.

**Below is a complete description of the program guidelines:**

### **Carrboro Affordable Housing Fund: Buyer Identified Homeownership Program**

**Description:** BIHP is designed to provide subsidy to applicants to purchase market-rate homes for the purpose of incorporation into the permanently affordable housing stock in Carrboro. This program is a tool for residents, nonprofits, and the Town to create additional affordable homeownership opportunities within Carrboro.

**Subsidy:** The Town will provide a grant of no more than 25% of the final cost of the home, with a maximum grant of no more than \$25,000. Final cost of the home includes the purchase price and any necessary work conducted to bring the home to a viable condition.

BIHP subsidy may only be used in cases where other relevant funding sources, such as HOME funds or North Carolina Housing Finance Agency funds, are unavailable or insufficient to complete the purchase of the home.

**Applicant Eligibility:** An applicant must be an approved nonprofit affordable homeownership provider.

#### **Homebuyer Eligibility:**

1. Must have a gross household income of 115% of the Area Median Income (AMI) or less, with priority given to households at 80% of AMI and below.
2. Have completed a homebuyer education course and financial counseling through a qualified agency, and have been deemed mortgage ready in the appropriate price range, by the agency.
3. Home must be the beneficiary's primary residence.
4. Meet all other guidelines of the approved nonprofit.

#### **Unit Eligibility:**

1. The unit must be deemed viable by the Town and the nonprofit for inclusion into the permanent affordable housing stock.
  - a. Factors to be considered in this determination include:
    - i. Purchase price of the home and amount of subsidy required

- ii. Licensed home inspector report
  - iii. Estimation of needed repairs
  - iv. Future sustainability of the home
  - v. Future marketability of the home
2. The unit must remain in the permanently affordable housing stock, or the grant recipient will repay the full amount of the grant to the Town of Carrboro.
  3. The unit must be located within Carrboro town limits.

**Application Process:** Applicants must turn in the following information to the Town before funding will be considered:

1. A complete description of the project, including the location and explanation of how this project meets the program criteria.
2. Documented income data for the beneficiary.
3. Documentation for final cost of the home.
4. Licensed home inspector report.
5. Other relevant information as requested.

**FISCAL & STAFF IMPACT:** The program is designed to provide up to \$25,000 in grant funds per use. These funds would come out of the Affordable Housing Special Revenue Fund. Currently there is \$176,230 in unexpended reserves in the fund available to be used for eligible purposes. The funding decisions for this program, as stated in the Affordable Housing Fund Guidelines, would be made by the Board of Aldermen.

**RECOMMENDATION:** Staff recommends the Board consider adding the Buyer Identified Homeownership Program to the Town's affordable housing programs.