



Administration of Inclusionary Homeownership Programs

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Administrative Life Cycle

- Predevelopment
- Development
- Marketing
- Buyer Selection
- Closing
- Monitoring
- Support
- (Refinancing)
- Resale
- (Foreclosure)



Predevelopment

- Set program requirements
 - Grant or loan terms
 - Inclusionary requirements
- Provide affordability data to developers
- Build general interest list of potential buyers
- Educate lenders, title companies, etc.



Development

- Negotiate formal agreement with developers
 - Development and Disposition Agreement
 - Affordable Housing Agreement
 - Etc.
- Prepare restriction documents
 - Deed Restriction, Ground Lease, Deed of Trust, Option Agreement, etc.



Marketing

- Outreach to potential buyers
- Outreach to targeted groups
 - Spanish speakers, teachers, firefighters,, etc.
- Large Project: community marketing meetings
- Open house/model house



Buyer Selection

- Screen applicants for eligibility
 - Income, household size, etc.
- Homebuyer education
 - Including education of resale restrictions
- Lender prequalification
- Lottery or waitinglist
- Insure fair housing compliance



Closing

- Coordinate closing
- Insure that program legal documents are executed properly
- Insure that lender documents are consistent with affordability restrictions, etc.



Monitoring

- Annual occupancy certification
 - Restricted value
- Track insurance certificates
- Annual title review
- Physical inspections?
- Respond to complaints



Supporting Owners

- Homeowner education
 - Home maintenance
 - Financial literacy
 - Etc.
- Resource and referral
- Preventing predatory lending
- Foreclosure prevention



Refinancing

- Receive and review requests
- Review and approve loan terms and documents
- Insure that loan amounts don't exceed program limits
 - Ex. Not more than resale restricted price
- Subordination?




Resale

- Determine resale price or loan payoff amount
- Market unit
 - Hopefully to existing interest list
- Screen buyers
- Buyer education
- Manage lottery or waiting list
- Develop new legal documents?
- Physical inspection and repairs?
- Repurchase unit or assign option?




Resales: Unit condition

- Physical inspection before sale
- Charge seller for deferred maintenance?
- Credit to seller for improvements?
- Perform work before sale?
- Fund escrow for work after sale?



Foreclosure


- Receive notice from lender
- Decide whether to cure default
- Decide whether to purchase unit
 - Find new eligible buyer
- Execute release of restrictions?



How Important is Ease of Administration?

Example:


- Should homeowners be allowed to sublet for extended periods of time?



Ease of Admin Exercise


Pick one approach:

1. Owners can't sublet.
2. Owners can sublet for up to ___ months without any approval or notice.
3. Owners can sublet with advanced approval for reasons of personal or economic hardship but can only charge rent equal to their documented housing costs (mortgage, taxes, insurance, etc.)




Ease of Admin Exercise

- Which option is best for owners?
- Which option protects community interest/affordability best?
- Which is easiest/hardest to administer?
- Does the benefit of #3 justify the administrative burden?




Balancing Goals

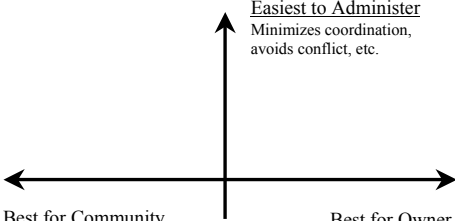


Best for Community
Maintains affordability, quality, access, etc.

Best for Owner
Provides flexibility, security, economic benefit, etc.



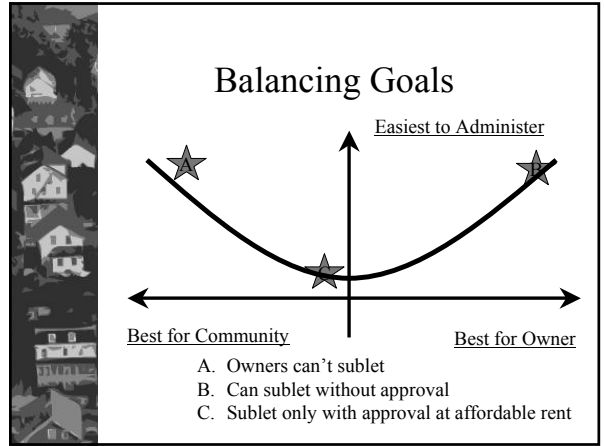
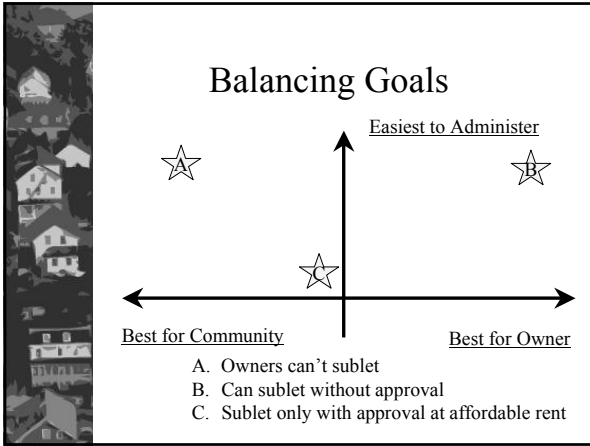
Balancing Goals



Best for Community
Maintains affordability, quality, access, etc.

Best for Owner
Provides flexibility, security, economic benefit, etc.

Easiest to Administer
Minimizes coordination, avoids conflict, etc.



- ### Staffing Program Administration
- “Self enforcing” programs
 - Local government staff
 - Outsourcing administration
 - Community Land Trusts

- ### Self Enforcing Programs
- No entity assigned ongoing monitoring responsibility
 - Sellers required to find and screen buyers
 - Title companies expected to insure compliance with price restrictions and other terms
 - Homeowners may cheat, title companies frequently miss restrictions

- ### Local Government
- Provides direct accountability
 - Significant (and growing) demand on staff resources
 - Program can get lost in other priorities
 - Subject to political pressures – changing priorities



Outsourcing

- Local government contracts with third party entity to perform ongoing monitoring and support resales, etc.
 - Local nonprofit agency
 - Palo Alto Housing Corp.
 - Housing Authority
 - Joint Powers Authority
 - Bay Area Homebuyer Agency
 - Private company
 - HomeBricks



Community Land Trusts

- Nonprofit Land Trust owns land
- Homeowners own improvements
- 99-year ground lease
- CLT monitors and supports owners
- Monthly lease fee supports admin costs
- CLT manages resale of affordable units



Community Land Trusts

- Northern CA Land Trust (Berkeley)
- Housing Land Trust of Sonoma County (Petaluma)
- Irvine Community Land Trust (Irvine)
- CA Community Foundation (LA)
- Workforce Housing Association of Truckee/Tahoe



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