

**Housing Levy Technical Advisory Committee
October 21, 2008
Meeting Summary**

Attendees: Stephen Antupit, Barry Blanton, Andrea Caupain, Tara Connor, Eric Franklin, Margret Graham, Jim Greenfield, Betsy Hunter, Hyeok Kim, Sara Nikolic, Jonathan Rosenblum, Charles Spaeth, Linda Taylor, Dinah Thoreson, Tony To, Christine VanDerwerf, Stephen Walker, Chuck Weinstock, David Wertheimer

Guests: Councilmember Richard McIver, Myisha Chambers, Nathan Torgelson, Paul Fischburg, Cheryl Leidle

Office of Housing: Adrienne Quinn, Bill Rumpf, Rick Hooper, Maureen Kostyack, Julie Moore, Jess Chow, Mark Ellerbrook, Quinnie Tan

1. Welcome and Introductions

Adrienne Quinn opened the meeting by expressing her appreciation for the Committee's candid feedback and its thoughtful input on OH's program proposals. The agenda for this last meeting is focused on first-time homebuyer programs. There is time at the end of the meeting for members to give any overall reactions to the levy renewal proposals.

2. Home Buyer Assistance

Mark Ellerbrook gave an overview of the existing Levy program, which he manages. The City provides downpayment assistance loans to first-time buyers with incomes below 80% of median. Loans are repaid when homes are sold or refinanced. Over the course of the 2002 Levy, home prices have risen dramatically, so the City increased the maximum loan amount to \$45,000. Two hundred loans have closed, and the average loan this year is nearly \$44,000. The program has done a good job assisting minority buyers, who make up 37% of borrowers. The program is meeting goals for assisting lower income buyers and directing funds to neighborhoods designated as Housing Investment Areas.

Mark pointed out that using City-funded purchase assistance provides some protection against foreclosure. Buyers receive financial counseling and must use fixed-rate first mortgages. The City's program, with a total of 427 loans including all fund sources, has had only 3 foreclosures.

OH proposes to continue the home buyer assistance program in the next levy, and to continue to use deferred downpayment loans as the financing tool. The new levy would offer loans up to \$55,000, or up to \$65,000 to promote two

priorities: transit-oriented developments or programs that provide long-term affordability.

In response to questions, Mark explained that long-term affordability is typically achieved through a community land trust. This is an established model in Seattle and throughout Washington State, although it is much more common in other parts of the country. A nonprofit land trust owns the land, and the buyer owns the improvement, which makes the purchase much more affordable. Upon resale, the home must be sold to an income-eligible buyer and the resale price is capped. Therefore, in exchange for a reduced mortgage, the homeowner accepts a lesser amount of appreciation when selling the home.

In contrast to the land trust model, other City-funded home buyer programs do not restrict sale price or the income of subsequent purchasers. Instead, the homeowner repays the loan, with interest, to the City at the time of sale or refinance. The homeowner must also pay a share of any appreciation in the home value to the City, but that share diminishes over time and is eliminated after nine years.

There was a discussion contrasting the two approaches. Land trust require a higher subsidy up-front, but are likely more cost-effective over time. Members expressed the importance of giving buyers choice. Some members anticipate that the number of land trust units will continue to grow as lower income buyers become more educated about this option.

In response to questions, Adrienne explained that we anticipate allowing the higher loan amount in locations within one-half mile of a high capacity transit station. The homebuyer assistance could be linked to projects developed using incentive zoning that could also be in place in these locations. It was suggested that OH consider allowing higher debt ratios in these locations because homeowners wouldn't need to own a car.

There was a discussion of how the program could be used to support City policies for higher-density, pedestrian oriented development in TOD locations, for example, by setting parking maximums. This idea would work best if home buyer loans were linked to a particular development, possibly combined with incentive zoning. There was support for Levy policies that reinforce other City policies. Members expressed concern, however, about putting too many strings on loans and limiting homebuyers' choice of homes to purchase.

A question was asked about whether the Levy could address the current foreclosure crisis. Adrienne explained that funding is needed now to address this issue, and Levy dollars won't be available until 2010. Other funds will be available sooner. In addition, most foreclosed owners have incomes over 80%

of median and cannot be assisted with Levy funds. A suggestion was made to create an incentive for buyers to participate in post-purchase counseling.

There was a discussion about having a homeownership program in the Levy, since it was controversial in 2002. Members suggested that we emphasize leverage of private mortgage funds, the revolving nature of the fund which results in more buyers assisted over time, and the reduced risk of foreclosure in contrast to what's happening in the market. Others expressed concern that the wealth creation focus of home buyer programs is very different than, and not as critically needed as, low-income rental housing.

3. Committee Input on the Levy Renewal Recommendations Overall

Adrienne asked committee members for their overall reaction to the recommendations presented over the past four meetings.

Several members emphasized the need for flexibility. There could be big changes in the housing market and federal housing programs.

It was suggested that we talk about the Levy as an economic stimulus, and show the jobs created. The national election campaign indicates the people are willing to stretch to solve problems.

It was also suggested that we tighten the Levy's focus on transit oriented development with strong performance criteria. This will broaden advocacy for the Levy renewal by engaging people concerned with environmental sustainability.

The meeting adjourned at 6:00 p.m.