Triangle J
Council of Governments

Supporting Affordable Homeownership in the Triangle

A TOOLKIT OF STRATEGIES TO CREATE, SUPPORT, AND PROTECT AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES IN THE RESEARCH TRIANGLE REGION OF NORTH CAROLINA

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Prepared for Triangle J Council of Governments

Contents

Introduction

This toolkit is designed to provide a menu of options for local governments and organizations in the Research Triangle Region of North Carolina that wish to support affordable homeownership. Information in the toolkit will guide the selection, planning, and implementation of these strategies. The strategies discussed can assist a range of homeowners who face affordability barriers to homeownership. These homeowners are referred to throughout the document as very low-income and low-income households. The U.S. Department of Housing and Urban Development (HUD) defines low-income households as those below 80% of Area Median Income (AMI) and very low-income as those below 50% of AMI. The use of these terms in this document loosely mirrors, but does not adhere strictly to HUD's definitions.

The following sections make up this toolkit:

The 'Overview' section offers recommendations that can help guide when it is appropriate to choose affordable homeownership strategies over approaches that promote other types of housing such as rental. This section also provides an overview of the strategies reviewed in the toolkit with information about community context and benefits that can help guide selection. The tables in this section have clickable links that will navigate to a specific selected strategy.

The 'Supporting Development and Preservation of Affordable Homeownership' section outlines methods for creating new affordable homes as well as strategies for creating sustainably affordable owner-occupied homes. The strategies in this section focus on creating affordable homeownership opportunities by making the home itself more affordable (rather than giving the home buyer additional economic resources to buy market-rate homes). The strategies on preserving affordable homeownership can be used to create new permanently affordable homes or to preserve the affordability of existing homes into the future.

The 'Direct to Buyer Assistance' section reviews methods for providing resources directly to homeowners so that lower income homeowners can afford to buy existing market-rate homes.

The section on 'Increasing Access to Homeownership Opportunities' provides complementary strategies that can help to reduce barriers to homeownership that often co-occur with income-related challenges such as credit, financial literacy, and access to capital. The final section of this toolkit, 'Supporting Existing Homeowners', discusses approaches to providing economic support to existing homeowners that can help to promote residential stability and allow for lifelong affordability of a purchased home.

Most strategies include a methods header, which provides information necessary for program or policy design and implementation. Information under the best practices header provides recommendations for increasing program or policy effectiveness, sustainability, and impact. Information under the community type header provides guidance regarding the communities and context in which the strategy might be most appropriate. Points under the benefits header provides an overview of the beneficial outcomes of the strategy. Clickable links to additional resources are included in the text throughout the digital version of this document. The end of the document also includes a list of references with links divided by strategy type. Throughout the document, case studies describing an example of an existing program or policy can be found in yellow boxes. The 'Spotlight on Existing Opportunities' header in the gray box indicates a section that discusses an existing federal or state program or policy that can be used to promote affordable homeownership in the Triangle Region.

Overview of Affordable Homeownership Strategies

When Most Appropriate

Homeownership strategies may be most appropriate when some or all of these conditions exist:

- **Income:** There is a large pool of low and middle-income residents of an area who are unable to afford housing at market rate who receive a stable income through employment or a fixed income (e.g. government benefits).
- **Credit:** Many families who the program would assist are in good standing with credit OR there is an existing effective program to help rebuild credit OR there is an agency willing to and with the resources to create a program to help rebuild credit.
- **Real Estate Market:** The land prices and/or housing market in the area are within a range that could be made affordable with existing or newly created subsidies.
- **Funding:** There is an existing resource or willingness to create a funding stream for subsidized homeownership.
- **Political Will:** There is political support or at least not active opposition from powerful political figures for affordable home ownership generation.
- **Neighborhood Conditions:** Promoting homeownership may help to address issues related to neighborhood decline such as: illicit activity, violence, vandalism, and littering. By increasing social capital, occupant ownership may improve resident investment in multi-family housing sites, particularly in very low-income communities. A study of low-income multi-family housing in New York City found that cooperative homeownership, when compared to private landlord ownership, public ownership, or non-profit ownership was associated with increased housing quality, better community realization outcomes, and reduced issues related to community decline and blighting.

When Least Appropriate

Homeownership strategies may be less appropriate under one or several of these conditions:

- **Income**:
  - The people a program or agency wishes to assist are not working and/or do not have a steady income stream
- **Fit**:
  - Due to life circumstances and/or preference, the people a program wishes to assist are not able or willing to take on a long-term mortgage. This might include older adults who will not have sufficient years left to pay off a mortgage and do not want to pass a mortgage on to their children.
  - Due to life circumstances or preference, the people a program wishes to assist prefer or need to be highly mobile in their living circumstances. These might include survivors of intimate partner violence with ongoing safety concerns, those with cultural preferences related to housing related to residential mobility, or those with unpredictable or unstable employment circumstances.
- **Taxes**: Even if an affordable mortgage was developed, homes would be unaffordable due to property taxes AND there in no existing tax assistance program AND there is insufficient political will to create a tax assistance program.

- **Neighborhood Conditions**: Due to space or market prices concerns, affordable homes could only be created in areas that are inappropriate for the lifestyle or needs of prospective residents. Example of such a circumstance might include:
  - Homes could only be created in low resource areas such as food deserts
  - Families do have access to cars and homes can only be created in areas without public transportation
  - A program that wishes to serve families could only create homes in areas without access to quality schools
- **Gentrification:** The creation of affordable homes in certain neighborhoods would generate gentrification AND there is insufficient ability or willingness to create an effective strategy for sustainable affordability for existing residents.

Strategies

Benefits

Specific strategies for promoting affordable homeownership are described in the sections below. These strategies are often most effective when combined to address a variety of different goals. The table below lists these strategies organized by the beneficial outcomes they offer and provides clickable links that can be used to navigate this section in an electronic version of this document.

Prevents Displacement	Right of First Refusal Property Tax Circuit Breaker Property Tax Deferral
Builds Wealth	Down Payment and Closing Cost Assistance Subsidized Mortgage Lease-purchase Community Land Trust
Creates New Homeownership Opportunities	Right of First Refusal Public Subsidies for Housing Development Conveyance of Public Land
Increases Availability of Affordable Homes	Public Subsidies for Housing Development Conveyance of Public Land Zoning Based Policies and Strategies
Promotes Community and Social Capital	Right of First Refusal Lease-purchase Community Land Trust
Promotes Housing Cost Stability and Long-term Affordability	Property Tax Circuit Breaker Community Land Trust
Uses Existing Resources to Create New Affordable Homeownership Opportunities	Using LIHTC Credits to Promote Affordable Homeownership Subsidized Mortgage Conveyance of Public Land
Makes Homeownership More Accessible	Down Payment and Closing Cost Assistance Housing Counseling Lease-purchase Credit Rebuilding

Communities Served

This toolkit is intended to provide strategies to promote affordable and accessible homeownership in a variety of communities. Some strategies are best suited for a specific community or housing markets, while others may work in a variety of settings. For strategies best targeted for a specific community, throughout this toolkit guidance is provided on setting and population suitability in the Community Type Section.

This table provides clickable links to strategies, organized by community served, that can be used to navigate this section in an electronic version of this document.

Community Type 1: High proportion of rental or vacant	Right of First Refusal Lease-Purchase Public Subsidies for Housing Development Using LIHTC Credits to Promote Affordable Homeownership Community Land Trust
Community Type 2: High housing costs and limited supply	Right of First Refusal Public Subsidies for Housing Development Property Tax Deferral Community Land Trust Conveyance of Public Land Zoning Based Policies and Strategies
Community Type 3: Development or gentrification pressures	Property Tax Circuit Breaker Property Tax Deferral Community Land Trust Zoning Based Policies and Strategies
Community Type 4: Stable income with cash or access barriers	Down Payment and Closing Cost Assistance Reverse Mortgages Subsidized Mortgage Property Tax Deferral Lease-Purchase
Community Type 5: High proportion of resident-owned homes	Subsidized Mortgage

Supporting Development and Preservation of Affordable Homeownership Opportunities

Creating Affordable Homeownership Opportunities

Right of First Refusal

Right of First Refusal, also known as Right of First Purchase, involves giving certain interested parties the right to opt in or out of buying a residential property before others have the chance to bid. Under all policies, the current owner is required to notify certain interested parties (tenants and/or government agency) within a certain advance amount of time of their intent to sell[1]. Designated interested parties then have the right to opt in or out of buying the property. Under

[1] Notification periods differ. Massachusetts requires two years, the longest pre-sale notification period.

policies with a tenant right to purchase, tenants would be given the first right before any other designated party. If tenants opt out, in many cases the policy then designates public or non-profit agencies with the right to opt in or out of purchase. Regardless of the designated party, the policies generally place restrictions to ensure that the owner is either given a fair price or recoups costs in the sale and limits the ability of the owner to refuse the sale to a designated party due to a fair price offer that does not meet the owner's hopes for the sale price.[2]

Methods

- Right of purchase policies **can create affordable homeownership opportunities if tenant right to purchase is paired with access to local housing funds**. By limiting the influence of market forces, right of purchase policies help to create opportunities for more affordable housing. However, in high-cost markets, simply limiting market forces to a fair price may not be sufficient to create affordable housing opportunities. In these markets, buyers will typically need assistance putting together and funding a financing package and may often need assistance funding renovations.
- **When local housing funds are used to make a right of first refusal purchase, restrictions tied to the funds can help promote the creation of sustainably affordable housing.** In the case of tenant purchase, long-term or permanent restrictions can be placed on the resale price of the home. Similar restrictions can be placed when a local organization uses public funds for a right of first refusal purchase.
- By expanding right of first refusal qualifying situations beyond owner intent to sell, these **policies can be used to promote affordability and prevent displacement when rental properties lose affordability restrictions.** In Maine, Right of First Refusal is enacted when a landlord takes actions to terminate subsidies that had made a property affordable.
- Right of refusal laws often **provide for the purchase of a multi-family housing unit in its entirety by the tenants as a group**, rather than allowing for each individual family to opt in or out of purchase. This simplifies the process since a partially sold property could be hard to sell piece by piece. In these cases, tenants usually form a cooperative in which each resident receives a share of the coop.
- Though multi-family homes are usually sold as one property, some policies also allow for individual families to enact right of first refusal on single family homes. In this case, if local funds are made available for right of first refusal purchases, policymakers must decide whether to include access to these funds for single family homes purchases. Allowing for funds to be used on single family homes greatly increases the administrative burden on an agency reviewing applications and distributing funds. Whether this is an appropriate measure may also depend on the makeup of housing in the area and the goals of the policy.

Best Practices

- Regardless of other agencies with the right to enact first refusal purchases, **residents should be given the first right of purchase**, with other agencies, companies, and organizations being able to enact their right after tenants have opted out of purchase.
- In some cases for-profit entities are given right of first refusal if they agree to abide by certain affordability restrictions. **For-profit entities should receive lower priority** than

[2] Under San Francisco's Assisted Housing Preservation Ordinance, a qualified entity exercising Right of First Purchase to buy a building must pay a "fair return price" with a minimum 10% return on investment for the seller.

residents, government agencies, and non-profits, since they are not mission driven and are less likely to maintain affordability when no longer required to and monitored by government authorities.

- When a right of first refusal purchase is completed by non-residents, **the buyer should be required by law to allow for the continued residency of the current residents**. This enables right of first refusal policies to prevent displacement even when a non-resident entity purchases the property.
- To truly use this policy to create affordable homes, **the funding source must be fully funded**. In DC, depletion of the Housing Production Trust fund has led to circumstances in which many right of first purchasers are unable to buy properties, despite interest.
- Place restrictions on the use of local funds requiring either limited-term or permanent affordability if the properties are sold or rented**. If the property is purchased by a private resident or cooperative and long-term or permanent affordability is to be secured through restrictive covenants, a non-profit or public agency will need to be appointed to monitor future sales** and ensure affordability is maintained. In the absence of an entity overseeing sales, affordability is likely to be lost during resale.
- Utilizing right of first purchase requires **proactive tenant education**, ongoing counseling during the purchase process, and assistance obtaining available local funds. A non-profit or public agency should be designated to provide education and counseling.
- **Tenants must be notified of their right of first refusal**. Notification helps to avoid tenant abdication of the right to landlords eager to bypass right of first purchase obligations.
    - Under a requirement to first notify a public agency or appointed non-profit of intent to sell, the designated agency can reach out to notify tenants of their right to purchase and refer to purchase education/counseling services and provide information about local funds.
    - Under a requirement to first notify a public agency or appointed non-profit of intent to sell, the designated agency can post public information about properties with intent to sell in order to allow agencies the option to buy.
    - A public agency should be appointed to monitor sales of rental properties to ensure compliance with right of first purchase obligations

Community Type

- High proportion of rental residential properties with large numbers of low or moderate-income households living in rental housing.
- Undergoing or facing future development or gentrification pressures
- Communities that are willing to provide local funds to finance right of first refusal purchases

Benefits

- **Prevents displacement** of rental residents due to development or gentrification pressures
- Creates modestly-priced affordable homeownership opportunities in areas with a high proportion of rental housing.
- Provides opportunities for government and non-profit mission-driven agencies to buy reasonably priced residential properties without having to compete under market forces with for-profit agencies
- **Promotes social capital** in residential housing by promoting cooperative tenant ownership

Case Study- Washington D.C. Tenant Opportunity to Purchase Act

Under the Tenant Opportunity to Purchase Act in Washington D.C. any owner with intention to sell a residential rental property must notify tenants and the mayor of intent to sell. Tenants have the right of first refusal to purchase the property. While all rental tenants have this right, in multi-family properties with more than 5 units, the right is assigned collectively, meaning that a majority of tenants must form an association and elect to purchase. Most right of first purchase buyers form shared equity tenant cooperatives.[3] Tenants who later elect to sell their cooperative share must sell at a price restricted by the cooperative. Purchasing under a tenant cooperative means that individual household credit will not be a barrier to loan assistance. Under properties purchased using loans from the Housing Production Trust Fund, affordability restrictions must be maintained for 40 years. Most properties purchased through this program use loans from the Housing Production Trust Fund, which provides low-interest loans for acquisition and rehabilitation (Reed, 2013). Since tenants repay these loans over time, the funds are circulated back into the trust fund to be available for subsequent use. Tenants may assign their right of purchase to a third party. The right of purchase buyer has 120 days to negotiate a sale, which can be extended for an additional 120 days if proof of application for funds is provided. The District provides low interest loans to tenants exercising their right of first purchase both for purchase and renovation costs. Funds from the city's Housing Production Trust Fund may also be used for these purposes. Between 2002 and 2013, this policy helped to preserve 1,300 affordable housing units. Despite the successes of the program, the DC Fiscal Policy Institute determined that the current program was not meeting the District's affordability goals and that funding was insufficient to provide for all tenant associations with submitted interest to purchase their properties. They recommended that funding for the Housing Production Trust Fund be increased, that the process to apply for funds be streamlined, and that monitoring after purchase be enhanced to ensure compliance with paperwork and tax submissions and enable improved monitoring of affordability compliance.

Zoning-Based Policies and Strategies

These strategies involve local government requiring or encouraging developers to allocate a certain percentage of new home developments to be affordable to households below a certain percentage of AMI. Some strategies involve legislation requiring that a certain percentage of new homes be made affordable. Another approach is to use legislation to incentivize, rather than require, new development projects to make a certain percentage of homes affordable. Some localities use a zoning strategy without legislation. In this case, the strategy is employed during the re-zoning process to encourage individual projects to make a certain number of units affordable.

Methods

- **Permanent Inclusionary Housing Legislation:** Under these policies, developers of multi-home projects are required to allocate a certain percentage, often 15%, of new developed homes to be affordable at a certain percentage of AMI. Under many policies, developers have the option of making a payment-in-lieu to the local affordable housing trust fund

[3] Shared equity cooperatives are another form of shared equity homeownership. Under the cooperative model, residents own a share of the cooperative rather than their own unit (as in a condominium). Cooperatives are not discussed at length in the shared equity section of this paper. Chapter 13 of the National Community Land Trust Network's CLT Technical Manual provides an in-depth description of CLT cooperative management for those interested in learning more.

instead of developing their own affordable homes. This is one of the most effective ways to promote an effective affordable homeownership market through the land trust model.

  - To date, four local governments in North Carolina have passed mandatory inclusionary housing laws for owner occupied developments. The limited use of these policies in the state are likely due to uncertainty regarding general assembly action on these policies. There is no law restricting use of inclusionary zoning policies for owner occupied homes in North Carolina. However, these types of policies are illegal for rental properties. The legal status of rental inclusionary zoning has likely led to the reluctance of local governments to use this strategy on owner occupied homes. While inclusionary zoning of for sale units is not explicitly prohibited by state law, it is not explicitly legal either. North Carolina has a history of challenging local ordinances that are not explicitly allowed under state law. However, no locality that has implemented inclusionary zoning of for sale units has faced a challenge in court by the state.

- **Standard Re-Zoning Strategies**: This strategy functions similarly to inclusionary housing policies. The difference here is that not all developers would be required through local legislation to allocate a set percentage of their properties to be affordable. Developers complying with standard zoning requirements would be unrestricted with regards to affordability. However, per an internal strategy of the zoning board, development projects that require zoning exceptions will be asked to comply with the specified affordability percentage. This strategy would not be created through legislation, but might be included in the government's strategic plan. Standard re-zoning strategies do not produce as robust or as effective a land trust. However, they can be a viable solution for local governments who do not have the political will for inclusionary zoning legislation.
- **Opt-In Incentive-Based Permanent Inclusionary Policy**: This strategy functions similarly to re-zoning strategies. However, instead of requiring individual projects to provide affordable units during the re-zoning process, the local government attempts to incentivize developers to opt-in to the inclusionary policy option. Zoning exceptions such as density bonuses, waiving or modification of parking requirements, and loosening of building height restrictions, are offered as incentives for developers that opt-in. This is the weakest of the inclusionary policies, since it does not guarantee that any project will opt-in. Incentives must be very strong for the policy to be effective. Governments should work with developers to create an effective incentive package. Local governments should also consider the effect of loosening zoning restrictions to the broader community.

Best Practices

- Local governments should consider placing permanent affordability requirement on properties made affordable through zoning strategies.
- Local governments that do place long-term or permanent affordability requirements may consider encouraging developers to sell their affordable homes to a designated local land trust, which will ensure that the homes remain affordable in perpetuity. In these cases, the government would enter into a formal partnership with the land trust to facilitate transfer of these properties from developers to the trust. Governments that are unable or unwilling to use a land trust model to preserve affordability may opt instead to use affordability covenants. In this case, it is very important that an organization or agency is appointed as the affordability steward for these properties.

- For those jurisdictions that are unable or unwilling to mandate permanent affordability, it is highly recommended to restart the affordability term every time a property is resold. This helps to maintain long-term affordability when perpetual affordability isn't mandated. It is very important.
- Regardless of which zoning strategy is used, the policy should include regulation of the quality of the inclusionary homes. The policy or developer agreement should include a clause that requires inclusionary homes to be developed at the same function and quality standards as the market rate homes in the project.

Community Type

- Communities with strong housing markets and regular development of new owner-occupied homes or units. In a strong housing market, the amount of new development may be sufficient to create a large number of new affordable homes. This strategy can also help to partially offset the gentrifying effects of development on home prices in an area and ensure that, as a community grows, lower income residents are not left out. Developers are less likely to oppose legislative inclusionary zoning requirements when the housing market produces large profit margins.
- Communities foreseeing upcoming gentrification or future development may consider passing inclusionary zoning legislation before these pressures hit the area. This can allow local governments to ensure that when these pressures come to the area, development produces home for residents of a variety of income levels. It can also avoid the challenge of trying to pass legislation when there is opposition from powerful developers with unlimited finances.

Benefits

- Produces new affordable owner-occupied homes.
- Uses private funding to subsidize affordable housing development and therefore is low-cost to the public.
- When paired with permanent affordability requirements and a strong affordability steward strategy, can be used to create new permanently affordable homes.

Public Subsidies for Housing Development

One way to promote affordable homeownership is to provide funding or incentives for projects that develop new affordable homes or rehab existing homes and resell them at an affordable price. In this case, financing is provided to the developer and benefit is passed on to the homebuyer indirectly through the translation of subsidies into an affordable sale price on an individual home. Government programs and policies can promote the creation of new affordable housing opportunities by providing financial incentives such as grants, tax incentives, and low interest loans to development entities. These entities use funds gained from government programs to build, purchase, and renovate affordable homes.

Methods

- Methods of incentivizing and/or funding homeownership housing development are similar to those used for rental housing development, including housing trust funds that provide forgivable loans or grants, below market construction loans, tax credits and exemptions,

bonds, fee waivers, and zoning and land use incentives[4]. However, **special consideration should be given to accommodate approval of owner-occupied housing development projects**:
    - Usually rental projects consist of a single multi-family housing property. Defining a single project of single family homes, particularly scattered site homes, is more complicated and requires more specific considerations.
    - It is harder to manage long-term affordability restrictions on a resident-owned home since these restrictions are often overlooked and therefore lost during resale. It may be necessary to appoint an agency or organization to monitor resale of funded properties. Another option is to exclusively fund properties managed by a land trust with commitments to permanent affordability.
- While some federal and non-governmental grant funds are available for individual projects, these funds are not sufficient to support a wide-scale affordable housing strategy. **Developing affordable owner-occupied housing usually requires greater amounts of local subsidies per family than rental housing** since federal funding is more limited for homeownership projects.

Best Practices

- **Subsidies for new construction should be used only when other strategies are not feasible.** Subsidized construction is usually the most expensive way to create new affordable homeownership opportunities. Converting existing rental units into for sale units, providing subsidies for existing owner-occupied homes to be turned into affordable homes, or offering direct subsidies to homebuyers are often more efficient methods of creating affordable homeownership opportunities.
- The recipients of these subsidies may be for-profit, non-profit, or public agencies. There have historically been issues with allocating subsidies to for-profit entities to construct affordable housing. These programs have in the past led to excessive unit costs, poor quality construction, and at times even corruption. **Government entities issuing subsidies must be cognizant of the motivations of the entity receiving the subsidy.** A pure profit motive may incentivize cutting corners, limiting affordability obligations to the letter of the law, and ending affordability as soon as possible.
- **Subsidies and other incentives must be tied to legally binding sales price restrictions.** Programs that offer subsidies to developers without restricting sale prices, have often resulted in above-market sale prices.
- **Subsidies and other incentives should be tied to regulations on construction quality. Proactive monitoring of workmanship should be conducted to ensure that homes are not overpriced for their quality**. Those programs that have successfully placed restrictions to ensure that sale prices are affordable have historically struggled to prevent use of inferior workmanship and materials to lower developer costs and the resale value of the house. While regulation of quality may be able to help mitigate this issue, these strategies have not consistently been effective at ensuring high quality housing. At least one program that used

[4] Funding sources of public subsidy and incentive programs for development of homeownership housing are the same as those for development of rental housing. For more information on funding source options see Preserving, Protecting, and Expanding Affordable Housing: A Policy Toolkit for Public Health, by ChangeLab Solutions.

its own inspection procedures to ensure that homes were not overpriced dealt with corruption involving bribes to appraisers.

- **Subsidy Recipients must be regularly monitored to ensure compliance.**
- **Reputable non-profits with a proven record of commitment to affordable housing should be prioritized for subsidies.** Since non-profits are mission driven, communities that invest in supporting non-profits to develop affordable housing can receive assurance that public funds will be better spent and households will receive more of the benefits from funds.
- **Non-profits with missions and structures in place to support permanently affordability should be prioritized for support**. Permanently affordable housing utilizes subsidy retention, a strategy that maintains the value of the public investment in affordable housing over the life of the home.

Community Type

- Most appropriate in conditions where **housing shortages** exist. This includes overall housing shortages or shortages of homeownership opportunities with an **overabundance of rental properties**. In cases where a high volume of for sale homes exist, but are not affordable, it is more efficient to provide financial benefits directly to prospective home buyers.
- In cases where there is no shortage of homes for sale, but homes are unaffordable, it may still be beneficial to provide limited subsidies to organizations with the mission of creating permanently affordable homes.
- May also be appropriate where there is a high volume of vacant homes in poor condition with need for renovation in order to revitalize communities
- Where there is political will to use public funds to promote affordable homeownership

Benefits

- Without subsidies or other sources of funding, naturally occurring affordable homes are rare in many communities. By providing funding for the development of affordable homes, localities can help to put **more affordable homes** on the market by subsidizing the price of the home's development.

Spotlight on Existing Opportunities

North Carolina Housing Trust Fund

The NC Housing Trust Fund was created by the General Assembly in 1987 and is administered by NCHFA. 30% of funds are designated for projects serving households below 50% of AMI and an additional 10% of funds must serve households below 80% of AMI. The Trust Fund provides flexible funding for needs related to permanent or temporary housing, including construction costs, pre-construction costs, and other development costs including program staffing support. Funds can be used to support owner occupied housing, rental housing, supportive housing, new construction, acquisition and rehabilitation, substantial rehabilitation, and emergency repairs. Projects to support homeownership must not exceed 95% of the area median purchase price for newly constructed or standard housing. Detached family units intended for sale can be brought together under one project application as long as they are proximal to one another, owned by a single entity, or financed by a single entity.[5] Funds are allocated annually. Though they may help to fund specific housing

[5] "Multiple buildings may constitute a project only if bounded together as a result of proximate location, or common ownership and financing," NC General Statue- Chapter 122E

projects, the Trust Fund may not be the most reliable source of funding to support the financial well-being of an affordable housing organization. In Fiscal Year 2017, 7.7 billion dollars were allocated to the fund, representing a 68% drop in funding over the last 10 years. Since funds are very flexible and may be used for a broad range of housing related projects, applications may be highly competitive.

Conveyance of Local Land

Some local governments own large amounts of vacant or disused land. By prioritizing the use of public lands for development of affordable owner-occupied homes, local governments can use existing public resources to support the creation of new affordable housing opportunities. This can be a low-cost method of support for affordable housing development since it uses existing unused or under-used public resources.

Methods

- Local policymakers may rewrite zoning codes or strategic plans to stipulate that unused suitable lands should be prioritized for development of affordable housing.
- The appropriate public agency should carry out a survey and assessment of available publically-owned land to determine available suitable property for development of affordable housing.
- In a general affordable housing conveyance strategy, a local agency publicizes information about available plots with a request for proposals from local organizations. Criteria is created for proposal ranking. Proposals are then reviewed, ranked on specified criteria, and selected based on rankings. However, in the case where the local government wishes only to convey land to a specific organization, officials would work with the organization to choose appropriate lots and develop project plans.
- Land may be sold to local organizations at a reduced cost or may be conveyed at no cost. Conveying land to a Community Land Trust (CLT) at no cost or a drastically reduced price, though using government resources, is likely to be a less expensive option than using subsidies to pay market rate for land acquisition and subsequent development.

Best Practices

- Local governments should give careful consideration to the location of public lands when selecting plots for affordable housing development. Ideally, property would be selected in locations where homeowners would have access to necessary goods and services as well as transportation options.
- Ideally, property should be selected in areas where homeowners would contribute to the economic diversity of the community.
- Policymakers should consider placing permanent affordability and income restrictions on homes developed with donations of public land. This ensures that the investment of land in affordable housing will benefit the community for generations. One way to achieve this goal is to work specifically with a CLT to convey public lands for homes into the trust. However, if a CLT is not an option or the local government wishes to open up proposals to any interested organization, the affordability restrictions may be maintained through a restrictive covenant.

Community Types

- Particularly useful in **communities where land prices are very high** and an **extremely competitive housing market** has blocked out low-income homebuyers. In this case, public subsidies for development may be insufficient to purchase land for affordable housing development, may be unable to compete with potential profits of market-rate development, or costs may be beyond the support by public will or budget. By using publically available lands, the local government can support severely needed development of affordable homes in a difficult housing market.
- This may also be useful in areas where development pressures are intense and there is **little available land for purchase**.
- Communities with **substantial amounts of unused or under-used public land in locations and makeup suitable for housing development**.

Benefits

- Uses existing resources to support development of affordable homes
- Creates new affordable homeownership opportunities.

Tax credits

Local Tax Credits

Due to the prominence of the Low Income Housing Tax Credit (LIHTC), a federal tax credit program for affordable rental development, tax credits for affordable owner-occupied housing is not as often discussed. There are a number of state funded programs that are modeled after the LIHTC and thus only allow funding for rental projects. However, it is possible to use tax credits to incentivize and subsidize the development of affordable owner-occupied homes. Since this strategy is so rare, the recommendations are preliminary and are based on the Vermont State Affordable Housing Tax Credit, which allocates credits for owner-occupied affordable housing projects.

Methods

- Allow for applications from either rental or owner-occupied housing development projects. Provide affordability minimums specific to owner-occupied homes, keeping in mind the lower rate of residential turnover in owner-occupied housing.
- Application and review processes can be modeled after the LIHTC process. Applications should be solicited annually. Minimum qualification restrictions for project eligibility might include:
    - Intended income: Maximum incomes for home buyers should be set based on a percentage of area AMI.
    - Planned pricing: Pricing should be required to meet affordability standards set each year based on AMI, cost of living, and family composition.
    - Affordability duration: Standards should be set for the minimum duration of affordability.
    - Quality of construction
- The review board should, each year, set standards for prioritization of applications. In order to conduct prioritization, the board should designate points assigned to applicants based on different characteristics of the project. This might include
    - Area need for new family homes
    - Match of home size, location, and structure to assessed area needs
    - Proven record with long-term or permanently affordable projects

    - Additional financial assistance offered to homeowners
    - Target income markedly below the maximum allowable level
    - Available goods, services, and resources in the community where the project is planned
- Monitoring and Compliance
    - An agency must be designated to monitor project compliance during and after construction. This agency should create a plan to execute proactive monitoring to ensure that projects meet affordability, income, and quality standards.

Best Practices

- **Make the tax credits transferrable.** This allows non-profits to apply for and benefit from the tax credit incentives by selling the credits to for-profit entities able to use them. It may also strengthen the economic incentive of for-profit entities for affordable housing development, since they can sell credits that are above their tax liability.
- In order to maximize the benefit of the public cost of the credit, policymakers should **consider requiring permanent affordability**. If the duration of affordability is required beyond the first homeowner, applicants should be required to submit a plan entailing how they will monitor and maintain affordability.
- An agency, known as **an affordability steward, should be designated** in the plan that will be responsible for monitoring affordability during owner transfer. The proposal review board should investigate and review qualifications, capacity, and resources of the designated affordability steward.

Case Study- The Vermont State Affordable Housing Tax Credit

The Vermont State Affordable Housing Tax Credit allocates $700,000 in state tax credits annually to for-profit or non-profit developers for affordable housing development projects. $300,000 of these credits are reserved for owner-occupied housing development projects. The recipient of the credit is entitled to claim against individual income, corporate, franchise, or insurance premium tax liability a five-year credit of a specified amount. Recipients of the credits are required to ensure that the housing remains affordable permanently, for all future owners of the homes. The credit can be applied to projects of single family detached units, mobile homes, and single family attached units including condominiums, cooperatives, cohousing, and planned unit developments. Projects must be sold to households below the provided income limit. Projects that are placed in areas where an assessment has determined there to be insufficient available single family affordable housing receive priority. Priority is also given for programs that offer down payment assistance or an employer-assisted housing program. Upon request, credit recipients are required to provide proof that all project units are owner occupied.

Spotlight on Existing Opportunities

Using LIHTC Credits to Promote Affordable Homeownership

The Low Income Housing Tax Credit (LIHTC) is a federal tax credit program that provides the largest source of funding for the development of affordable *rental* housing in the United States. LIHTC provides funding for projects that are affordable to those 60% or below of AMI. Though LIHTC provides funding only for rental housing, under the program LIHTC-funded housing is required to maintain affordable rental restrictions for 15-30 years. Though owners are technically required to maintain rental affordability for 30 years, there are a number of changes at the 15-year mark that can result in a loss of affordability. After 15 years, owners are no longer required to report to the IRS on compliance with affordability restrictions, removing the threat of penalty for raising rents. Strategies can be used to either use LIHTC-funding to create permanently affordable rental housing or rental housing that transitions into affordable owner-occupied homes after the mandated affordable rental compliance period has ended. Revenue Ruling 95-49 allows extended use restrictions to be terminated when a tenant purchases a single-family home in Year 16 (when combined with a specific agreement with a state housing agency).

Methods

- LIHTC credits do not provide a direct financial benefit to non-profit programs, since non-profits don't pay taxes. By partnering with a developer to apply for and receive the credits, a non-profit can reduce the cost of housing development and pass these savings on to eventual homebuyers when the property converts from rental to owner-occupied homes.
- Programs may partner with local developers with the upfront intention to create new affordable owner-occupied homes using LHTC funding. Under this model, the developer would apply for LHTC credits to develop an affordable rental housing project. The project would be retained under ownership of the developer until year thirty. During this period, the program can prepare residents for home purchase. At the end of the compliance period, the homes would be sold to the program, who would then seek to sell homes to their rental residents at an affordable price.
- Under an alternative model, a development partner can apply for LIHTC credits, maintain affordable rental housing throughout the compliance period, and work with a program to assess whether the property is best suited for rental or ownership when the nearing the end of the compliance period. This might be more appropriate in states where the compliance period is much longer than 15 years, contributing to the possibility that housing markets and community needs will change drastically over the period. On the other hand, by starting projects with the intention of transitioning to resident-owned housing, programs can work proactively to find tenants interested in purchase and to work with tenants through the compliance period to prepare for homeownership.
- LIHTC credits are distributed by Qualified Allocation Plans (QAP). Under the QAP model, state agencies set funding priorities and review and distribute credits accordingly. Currently, under the North Carolina QAP, administered by the North Carolina Housing Finance Agency (NCHFA) eligible projects must maintain rental affordability for 30 years. CHN is able to convert to ownership on a 16-year time frame because the Ohio QAP has created special policies exempting projects from further compliance requirements after the 15-year mark if the project converts to tenant ownership. Under the current North Carolina QAP, purchase would have to occur at the end of the 30-year compliance period.

Best Practices

- Under the current NC QAP, projects intended for eventual homeownership is prioritized through the 5th tiebreaker. However, this is a very weak influence over the project since it is such a late-stage tie breaker. **The NCHFA should be encouraged to strengthen the prioritization policy for eventual homeownership in the QAP**. NC is in the minority of states by using tie breakers as its homeownership incentive. 34 states use points to prioritize homeownership. The strongest of these is Colorado, which allocates more than 10% of its points for homeownership. Another 8 states allow for projects to transition to homeownership in year 15 as a method of exiting affordability requirements.

Community Type

- Housing shortage and/or high home prices
- High number of vacant buildings in need of revitalization
- Where there is a tenant market to support residency in rental housing for 30 years.
- Where there are a large number of current renters interested in homeownership
- Where the state QAP accommodates, and possibly prioritizes, LIHTC projects that are intended for eventual homeownership

Benefits

- Provides a strategy that allows for the use of an existing federal program for the development of affordable housing to be used to develop new affordable resident-owned housing.
- Can finance the development of affordable resident-owned housing in areas where local and/or state funds are not available or are not sufficient to support development

Challenges

- While turnover during the leasing period is less frequent for single-family than multi-family homes, turnover is more expensive. Make-ready costs are higher and homes sitting vacant during resident turnover may be targeted for vandalism and theft.
- Per-unit costs to manage a single-family scattered site LIHTC project are higher than those to manage a single-building multi-family project.
- Asset-management practices must be monitored and planned carefully to ensure that rental income is sufficient to repay costs. Otherwise expenses will start to outpace revenue around year 11.

Case Study- The Cleveland Housing Network

The Cleveland Housing Network (CHN) is the largest developer of LIHTC funded rent-to-own homes in the country. CHN analyzes suitable neighborhoods by looking for areas with poor housing markets and redevelopment needs. CHN partners with various investors to purchase and redevelop homes. The partners receive tax credits through the LIHTC program and provide most required funding for the projects All homes developed in a year are grouped under one LIHTC development project, which consists of 40-45 homes. The project is retained under ownership of its developer throughout the 15-year rental compliance period with tenant management from CHN. At the end of the compliance period, the property is sold to CHN, who then works with the tenant or other low-income household to buy the home at an affordable price. The purchase price is determined after CHN purchases the home from the investors. The purchase price calculation includes remaining debt on the property, taxes incurred from capital improvements, taxes incurred as a result of the purchase of the property by CHN, the cost of transferring the title three times, and government fees. Homes are usually purchased for about half of market value. Tenants are required to live in and rent their homes for 16 years before they have the option to buy. This maintains compliance with the rental requirements of the LIHTC credit. Through the program, CHN sells 50-100 homes annually. The program produces long-term residents of their communities, with 98% of homebuyers still residing in the homes they purchased through the program since 2003.

Structuring LIHTC NC QAP to Support Permanently Affordable Housing

There are a number of ways that the NCHFA could modify its Qualified Action Plan to strengthen the program's promotion of long-term or permanent affordability. If NCHFA used a point allocation strategy, all applicants would still be required to maintain affordability for 30 years, but those providing longer-term or permanent affordability would be prioritized through a point system that provides more points based on the length of affordability assurance. South Carolina, Washington, Missouri, Minnesota, South Dakota, and Nevada all use a combination of points and threshold requirements to extend affordability beyond 30 years to up to 62 years. Massachusetts uses the combination method to prioritize permanent affordability. Alternatively, NCHFA could ensure permanent affordability by extending threshold requirements. New Hampshire and Utah require permanent affordability or allow exit only through a process so complex that it strongly discourages exit from affordability. Maryland and California both require longer-term affordability between 40 and 62 years.

- If NCHFA chooses to use threshold requirements to extend the minimum affordability period, programs should be allowed to comply with the extended compliance period through affordable homeownership. This way, rental to owner-occupied transition continues to be a viable strategy for using LIHTC to create affordable owner-occupied housing.
- NCHFA should consider allowing programs that provide permanent affordability assurances to receive an exception from the thirty-year compliance period to allow a transition from rental to owner-occupied housing after 15 years. It is advised that only projects that plan to sell their homes to an established mission driven organizations such as Community Land Trusts with a proven record of sustaining permanent affordability should be accepted for this exemption.
- While agencies that develop permanently affordable housing (PAH) are at an advantage for QAP processes that prioritize or require long-term or permanent affordability, since they have permanent affordability built into their model, they may be penalized for higher building costs related to higher quality construction meant to last in the long-term PAH model. The NC QAP currently issues 5 penalty points for multi-family developments that cost more than $68,000 per unit in construction costs. For developments of detached family homes or duplexes, projects costing more than $79,000 per unit receive 5 penalty points under the current NC QAP. However, the NC QAP awards points, up to 25, based on construction quality. The North Carolina QAP should be encouraged to account for this aspect of the PAH model and prioritize those using quality construction if that construction is intended for permanent affordability.

Preserving Affordable Homeownership Opportunities

This section will discuss strategies that can be used to create permanently affordable homes in a community as well as strategies that can be used to ensure that existing affordable homes remain affordable.

Shared Equity Homeownership

Shared Equity Homeownership is an umbrella term for a variety of strategies that achieve permanent affordability of owner-occupied homes by restricting the amount of equity a homeowner can build over their tenure in the home.[6] For the homeowner, the limitations on potential financial gain from

6 Shared Appreciation Mortgages are a shared equity strategy not discussed in this toolkit. In the shared appreciate loan model, earnings from home appreciation are shared between the home buyer and the lender. The lender usually receives a percent of the appreciation equal to the percent of home cost that the original loan comprised. Several municipalities in California have shared appreciation home loan programs, including San Diego and San Francisco.

resale are offered in exchange for a more affordable home price. For the community, the limitations on equity mean that the home will remain affordable even when resold many times.

Community Land Trusts

A community land trust (CLT) is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. The CLT confers ownership rights of the property to homebuyers through an inheritable 99-year ground lease.[7] Affordability is maintained in perpetuity through resale restrictions that limit price increases. If the owner decides to sell the home at a later date, the ground lease includes a shared equity resale formula that will ensure that the house is sold at an affordable price. These restrictions, while they allow the homeowner to build some equity, mean that most homeowners will not make a large profit on the sale of their home. These limitations on equity are passed on to the next homeowner in the form of an affordable purchase price. Land Trusts generally serve households between 40% and 65% of AMI. Unless the homeowner works with a program that provides a deep subsidy such as Section 8 Homeownership Voucher, or the Land Trust is selling homes in a naturally low-price housing market, land trust homes cannot usually be made affordable for low-income or very low-income households.

Methods

Resale Formulas: Land Trusts achieve long-term affordability through restrictions on the price increase of homes in the trust. Owner profit is determined by a resale formula set out in the ground lease. There are a number of different strategies for resale formulas

- **Pegged to AMI:** The maximum resale price is established by increasing the initial affordable sale price by a percentage equal to the percentage increase in area median income during the resident's tenure in the house
- **Pegged to Housing Market:** The maximum resale price is established by increasing the initial affordable sale price by a percentage equal to the percentage increase in area home values during the resident's tenure in the house
- **Pegged to Inflation:** The maximum resale price is established by increasing the initial affordable sale price by a percentage equal to the percentage increase in the Consumer Price Index during the resident's tenure in the house
- **Percent of Value:** The home price is allowed to increase by a fixed percentage of the appraised home value at the time of resale
- **Fixed Rate Increase**: The maximum sale price increases at a fixed rate each year. This strategy is not recommended. In the event of an economic downturn or deflation of the area housing market, a fixed rate increase would disrupt the shared equity model and dilute the value of subsidies invested into the home's affordability.

Capital Improvements: Homeowners may be dis-incentivized to invest in their homes due to not receiving the full return on investment. There are a few potential solutions.

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[7] Some CLTs use a different strategy in which they maintain ownership of the land and sell the home to the occupant. This strategy involves two separate deeds for the land and the home respectively. In North Carolina it is not legal to separate a deed between a home and the land the home is on. So CLTs in North Carolina, like CLTs in a number of other states maintain one deed of ownership for the CLT and use a ground lease to convey ownership of the land and home to the homebuyer. Through the ground lease, the deed is in the name of the CLT and the CLT sells the leasehold interest to the homebuyer.

- By **tying resale maximum profit to a percentage of resale price**, homeowners will still have some incentive to invest in repairs and renovations. If land trusts choose this strategy, it is recommended to require homeowners to get approval before renovating. Unrestricted capital improvements can increase the value of the home such that affordability is reduced or lost to the next homebuyer.
- Some programs **allow owners to receive full return on any capital improvements made by the homeowner.** In this strategy, homeowners would be required to document capital improvement work in. In order to retain affordability, if a land trust choose this strategy, it is recommended to require homeowners to get approval before renovating. Unrestricted capital improvements can increase the value of the home such that affordability is reduced or lost to the next homebuyer.
- Some programs such as the Community Land Trust in Chapel Hill, **establish funds specifically for providing necessary home repair and modification**. The homeowner is charged a monthly fee to contribute to the pool of funds available for that home's future repair and capital improvements. The fees charged are calculated for each home based on projection of future costs associated with the particular property. These are the funds used for modifications and repairs made during the resale process. One challenge with this strategy is that it requires more property management and development work on the part of the land trust. For land trusts that do not do development, this could stretch capacity. In order to address development capacity limitations, the Chapel Hill Community Land Trust has Self Help Credit Unit manage development work and repays them for costs.

Bringing Homes into the Trust: Land trusts need a supply of homes to buy or develop affordably to bring into the trust. Even with subsidies, land trusts cannot usually compete in higher priced housing markets where developers interested in buying properties inflate sales prices. Land trusts working in competitive housing markets will need to work with local government to bring new homes into the trust. Local policy is crucial to the development of a robust affordable housing stock using the land trust model. Some strategies include:

- Zoning Policies and Strategies: These strategies involve local government requiring or encouraging developers to allocate a certain percentage of new homes to be affordable. By requiring that inclusionary homes remain permanently affordable, local governments can encourage developers to sell their affordable homes to a designated local land trust, which will ensure that the homes remain affordable in perpetuity. In these cases, the government would enter into a formal partnership with the land trust to facilitate transfer of these properties from developers to the trust.
- **Conveyance of Local Land:** Some local governments own large amounts of vacant or disused land. By pledging to convey certain publically-owned lands to the CLT, local governments can help to support the growing portfolio of the CLT as well as ensure that unused publically-owned lands are put to use to the benefit of the community. The City of Syracuse NY, for example, deeded 12.5 acres of vacant, municipally-owned land to Jubilee Homes, a nonprofit developer that was jointly controlled by the City and the CLT, Time of Jubilee, Inc. Upon sale of each house constructed on the site by Jubilee Homes to a low-income family, the underlying land was conveyed to the CLT.
- **Strong Local Subsidies:** Local subsidies help to make any land trust model effective by providing funds that can help fund purchase and renovation of homes as well as provide a soft second mortgage to land trust home buyers to reduce the cost of their homes. However, in a moderate or high-cost housing market without an inclusionary housing policy, subsidy

amounts would have to be very high in order to provide sufficient funds for land trusts to effectively compete to buy property at market rate and then provide sufficient deep subsidies to make the home affordable to low-income homebuyers. Without an inclusionary housing policy, a land trust would need to buy vacant lots or properties in need of renovation and use local subsidy funds to finance this development. Since public funds would be used to pay developers or owners at market rate, a substantial amount of the subsidy would go towards the developer/seller. Thus, this is a much more expensive strategy for using public funds to finance permanent affordable housing than an inclusionary housing policy. These subsidies can be provided directly to the land trust (recommended) or to the homeowner. If the subsidies are provided to the homeowner, it is crucial that the subsidies be permanent, to preserve affordability for future buyers. In this case, some municipalities use a permanent loan structure to achieve permanent subsidy direct to home buyers. However, this strategy is much more expensive and complex to administer than a subsidy direct to the land trust in the form of a grant or other non-repayable funds.

  - **Case Study:** The City of Albuquerque New Mexico provides home buyers of land trust homes interest-free, permanently deferred-payment loans. These loans are attached to the home rather than the home buyer so that all future homebuyers can assume the loan, effectively permanently subsidizing the cost of the home.

- Without inclusionary housing or deep local subsidy funds, the land trust model would only be able to create homes affordable to the upper range of low-income homebuyers in a low-cost market. This strategy could work if a robust land trust buys a large number of properties before development and gentrification pressures reach the area. Some state and federal subsidies are available to help subsidize the price of homes, but are insufficient to make homes affordable to low-income households. In lieu of either the local policy or market conditions necessary to make homes affordable to low-income homebuyers, the land trust, funded only by state and federal subsidies, would be unable to serve this target income group and would have to focus on a higher income population.

Revenue Sources: Like any organization, land trusts need reliable revenue streams to maintain financial viability and to reduce the cost of homes to homebuyers. The amount of revenue needed is dependent on the local housing market (cost of acquiring new properties), the property acquisition strategy (see Bringing Homes into the Trust), and the development strategy.

- **Federal Subsidies**
  - **Community Development Block Grant Funds (CDBG)** in the amount of about $45 million are awarded to the state of North Carolina annually as well as to some towns and cities for grants that help to meet a number of community needs including providing affordable housing for low and moderate-income households. In the triangle, Wake County (except for Holly Springs), Cary, Chapel Hill, and Durham receive their own funds directly from HUD. For those areas that receive their own funds, local policy would have to explicitly allow for use of funds for home purchase and rehabilitation (unless the CLT plans to use funds to do their own development). All other governments would need to apply to the state for CDBG funds. CDBG funds awarded to a local government can be distributed in the form of grants to local organizations involved in community development projects such as supporting affordable low-income housing.
  - **HUD Housing Counseling Funds:** It is standard practice for CLTs to provide housing counseling to potential homebuyers. If a CLT is willing and able to pass the certification process to become a HUD-approved Housing Counseling Agency, the

CLT is eligible to receive grant funds through the Comprehensive Housing Counseling Grant Program. However, the process of becoming a HUD-approved Housing Counseling Agency is becoming more complicated and the certification process for counselors involves study and a difficult certification test. Therefore, some CLTs that can afford to opt out of this revenue source have chosen not to spend resources becoming HUD-approved.

- **North Carolina State Funds**
  - **North Carolina Housing Trust Fund**
  - **Community Partner Loan Pool**
- **County and Local Funds**
  - **Local HOME Investment Partnership Program Funds:** 60% of North Carolina HOME program funds are allocated to local jurisdictions. Per federal regulations, HOME funds may be used only one time for each property. Funds may be used for rental assistance, housing acquisition, development or rehabilitation and assistance to homebuyers. For homeownership programs, 90% of households that benefit from program funds must be below 80% of AMI. In addition, each jurisdiction may place its own limitations on the use of these funds. But in many counties, local agencies can apply for use of HOME funds for affordable housing development projects. These funds tend to be less flexible than CDBG funds. Depending on the interpretation of the local agency monitoring allocation, CLTs may be able to receive HOME funds. However, recipients of HOME funds may be substantially restricted in their actions. They may be prohibited from charging fees for loan servicing, or fees to homeowners to cover administrative costs. It is unclear whether under these restrictions, ground lease fees are permissible and unlikely that repair reserve fees are permissible. In order to earn development fees, the CLT must charge the specific HOME-funded project as the developer.
  - **Local Subsidies:** Land Trusts that engage in housing development benefit from local housing subsidies like other non-profits engaged in affordable housing development. However, not all land trusts engage in home development. Some, such as those that mainly acquire properties through inclusionary housing policies, would not benefit from subsidies intended specifically for development. One option is to allow the use of local affordable housing funds such as those in a housing trust funds to be used for acquisition and management of a permanently affordable homes. However, many local governments, particularly those that ask the local land trust to oversee and manage compliance with an inclusionary zoning policy, allocate funds specifically for the community land trust. Often, these funds take the form of a grant, which the land trust can use to fund management costs and subsidize affordable homes.
- **Fees**
  - **Ground lease fees:** The ground lease sets a regular (usually monthly) fee to be paid by the homeowner to the CLT as a payment for leasing the land. This fee is usually nominal, and is set at a price to be affordable to the homeowner, while covering a portion of CLT's administrative costs for the property. As of 2009, the Chaplain Housing Trust charged a ground lease fee of $35 per month.
  - **Developer fees:** CLTs that do their own development can earn revenue from developer's fees. The CLT will need to spend resources upfront to develop expertise in construction and development or hire additional staff with construction

experience. CLTs that do their own development usually earn about $15,000 per home in developer fees.
  - **Homeowners Association Fees:** CLTs working in jurisdictions with inclusionary housing policies will usually obtain just a fraction of homes in a single development. However, those conducting their own development or those that obtain property from conveyance of local land may end up with entire housing developments in the trust. This may also occur in inclusionary zoning jurisdictions when developers opt for payment-in-lieu of developing the designated affordable units. In this case, the CLT would likely manage the Homeowner's Association (HOA) for the development. The fees paid into the HOA by homeowners can provide a small source of revenue for the CLT.

Homeowner Restrictions: The following restrictions/provisions must be placed in recorded legal documents (e.g. ground lease) in order to preserve the effectiveness of the land trust model:

- Require pre-approval from the CLT before homeowner may refinance or place other encumbrances on the home.
- Include a statement that the CLT has the right to cure mortgage default on behalf of the homeowner. This can help CLTs to prevent losing a home from the trust due to foreclosure.
- Require owner occupancy
- Require the homeowner to maintain liability insurance on the property
- Require the homeowner to pay property taxes owed on the property

Enhancing Community Capital: Beyond preserving affordability, a goal of the CLT model is to increase community capital over the character of their neighborhood. The primary tool by which CLTs help preserve community capital is in the applicant selection process. CLTs develop applicant rating systems that help to secure the three primary CLT goals: 1) offer homeownership opportunities for those who would not otherwise have access to homeownership, 2) ensure the long-term viability of the land trust by selecting homebuyers with a high probability of successful homeownership, and 3) carry out the preferences and will of the community regarding its makeup and character.

- In order to reflect this third goal, CLTs should include items in their applicant ranking system that reflect community preferences. However, CLTs must be careful to adhere to fair housing laws by not allowing race or other protected categories to be a factor in applicant selection decisions. Due to the constraints of fair housing law, CLT selection processes may reflect, but not mirror, the preferences voiced by the community for homeowner selection., In order to reflect community will to preserve the character of a historic community, prevent takeover by student-related development pressures of the nearby University, and select those most in need, The Chapel Hill Community Home Trust gives points to applicants from the community and who are first-time homebuyer and detracts points for being a current student.
- Some CLTs work with a specific neighborhood to maintain historic community character and stave off development-related changes such as gentrification. In this case, it is important that the CLT work proactively to identify homes at risk of being sold and communicate with the current homeowner early about the option to sell to the CLT. Existing neighborhood residents may be an important source of information about future sales. CLTs should work to cultivate strong relationships with existing community members not living in CLT homes and increase community awareness about the work of the CLT in their neighborhood.

Preemptive Right of Purchase: Most programs require that homeowners sell properties back to the trust when they wish to sell. This is achieved through inclusion of a statement in the ground lease of the CLT's preemptive option to purchase the home back within a certain amount of time at a price determined by a price formula include in the ground lease. This gives the trust control over the selection of the new homeowner community preferences and to ensure affordability is maintained. It is standard to give the CLT 45 days to elect to exercise (through notification of the homeowner) its option to buy after the homeowner has decided to sell. The ground lease then lays out a specific time period within which the CLT must buy the property. Some ground leases allow 60 or 90 days for CLT purchase. However, an evaluation of the Champlain Land Trust found that 90 days was too short a period for purchase and led to the loss of some properties by the CLT. Thus, it is recommended that a longer period, 180 days, is used.

Best Practices

- **The board of the land trust should be diverse and include land trust property residents, non-resident community members, and ideally members of the local government**. The land trust should consult the board regarding the selection of new home buyers for land trust properties.
- Since most buyers are first-time homeowners, **programs should require homeownership counseling**.
- Monitoring Adverse Circumstances and Preventing Violations:
    - **Provide a loan directly from the CLT to the homeowner**. This is often in the form of a soft second (or third) mortgage. In addition to subsidizing the cost of the home for the homeowner, providing a loan directly to the homeowner helps the CLT to be notified if the homeowner attempts to take action in violation of the CLT restrictions, such as refinancing or selling the home without prior approval. The loan would be passed on to each new homeowner of the property in order to preserve effective monitoring of permanent affordability.
    - Programs should **stay in touch with homeowners** in order to identify needs for services and potential issues. The better the ongoing relationship between the CLT and the homebuyer, the less likely the CLT is to face circumstances where a home is in danger of leaving the land trust or is lost to the land trust due to homeowner action or failure of the homeowner to notify the CLT of a problem.
- Develop a **pricing formula that retains home affordability without additional subsidies** needing to be invested each time the home is resold.
- While many CLTs provide down payment assistance, it is advisable to **require homeowners to pay closing costs**. This demonstrates the homebuyer's capacity to save or shows that they have a financial support system that would assist in the event of an adverse financial circumstance. Both help the CLT to reduce risk of foreclosure and increase rate of successful homeownership.
- CLTs should **set a modest yet specific revenue goal for CLT earnings on each home sale**. While the primary goal of a CLT is to keep home prices as low as possible in order to increase accessibility, most CLTs are unable to capture enough revenue from public subsidies and donations alone to cover costs. Earning goals help to provide reliable flexible revenue to cover CLT overhead costs. The per-home revenue goal will depend on the specific housing market that the CLT is working in and other available revenue sources. The Chapel Hill Community Home Trust aims to earn $3,000 on every home. However, the

Home Trust receives substantial financial support from local governments, who have pledged to make up the difference between CLT revenue and costs. CLTs without local support working in a similar housing market may need a higher per-home revenue goal.

- **Cultivate relationships with mortgage lenders and provide a list of approved lenders to CLT homebuyers**. By cultivating a relationship with lenders, CLTs can increase homebuyer success with obtaining a mortgage loan, reduce homebuyer risk of predatory lending, and work proactively with lenders to address any issues that occur throughout the life of the loan.

Community Type

- **Communities Facing Development or Gentrification Pressures:** A CLT can help protect a community against the economic and social pressures of development and gentrification by ensuring the future supply of affordable homes in the community, retaining community historical character, and leveraging community control over land. Even existing homeowners facing affordability pressures from rising home values can preserve their own affordability by bringing their home into the trust. A CLT is most economically feasible before gentrification has fully reached a community, since the cost of land and home acquisition to the CLT is much lower. However, the CLT model can still be feasible in a community undergoing gentrification but that has not fully gentrified. The viability of the CLT model in gentrifying communities largely depends on the willingness of local policymakers to support CLT home and land acquisition through local regulation and public funding.
- **Communities Facing High Vacancy Rates and Housing Decline:** The CLT model can be used to bring resources into a community needed for revitalization. The CLT offers a strategy to revitalize communities without risking loss of affordability and gentrification. Resources spent revitalizing a community with a CLT are invested in the community, not just in the place. CLTs can also be used to buy rental properties and convert them into owner-occupied homes in communities with high rates of rental and few homeownership opportunities.
- **High Housing Costs and Limited Supply:** It is possible to use the CLT model to preserve affordability and produce new homeownership opportunities in a highly competitive housing market. However, this depends on the willingness of local policymakers to provide regulation to ensure that new homes are brought into the CLT through policies such as inclusionary housing or conveyance of public land. The more competitive the housing market, the more dependent the CLT is on local government to support their work.
- **Communities Where Existing or New Single-Family Homes Can Be Brought into the Trust:** Due to the use of a ground lease, for the CLT model to work, the CLT must own the land beneath the home. Thus, the CLT model is appropriate for single family homes and duplexes. It may be used for multi-family building such as condominiums only when the CLT owns the entire property. If the CLT owns only a fraction of the units in a condominiums property, it may need to take advantage of another shared equity strategy (see options below). Similarly, if a city or organization that does not operate a CLT wishes to developed a shared equity homeownership strategy for a fraction of homes in a multi-family building, an alternate option should be pursued. Finally, while the CLT is the most secure shared equity strategy for preserving permanent affordability, there are other options available when a CLT does not exist and cannot be formed due to a lack of necessary support from local policymakers.

Benefits

- **Promotes Housing Cost Stability and Long-term Affordability:** The CLT model ensure that homes that are affordable today will be affordable in perpetuity. As long as the CLT remains in operation, affordability is preserved. This helps to protect communities from the effects of development and gentrification. Any public investments used in the acquisition, development, renovation, or sale of a CLT home is retained in that home to make homeownership affordable and accessible for years to come.
- **Increase Community Capital:** Through the CLT model, communities have a greater say in how the land and property in their community is used. By having a board comprised of community members and CLT homeowners, the community has the power of the acquisition and sale decisions of the CLT. This helps them to maintain a certain amount of control over the character and composition of the community. Through the CLT, a community can acquire and control local land that might otherwise be used for purposes that are contradictory to the preferences and well-being of the community. A CLT can help a community to preserve neighborhood history, enhance community well-being, gain control over local land use, and reduce absentee ownership.
- **Increase Social Capitol:** The CLT model offers homeownership opportunities to households who would otherwise only be able to rent. By making homeownership accessible, CLTs increase household control over their homes, living conditions, and selected community.
- **Create Wealth:** Though the shared equity model used by the CLT limits the wealth accumulation of homeowners, it balances this limitation by providing access to homeownership to households who would not otherwise benefit from homeownership. Many of the households served by CLT would otherwise be limited to rental housing, which (with the exception of lease-purchase) actually depletes rather than earns wealth. A 2009 evaluation of the Champlain Home Trust found that, on average, CLT homeowners received a net gain in equity of $12,000 when they sold their homes.

Shared Equity Condominium

In a condominium, a condo association or outside entity owns the land and building and individual units are owned by their occupants. There are a number of strategies that can be used to keep homes in a multi-family building permanently affordable.

Methods

- **A CLT** may purchase and manage the property as it would a single-family home. A CLT may manage the entire building or individual units in a large condominium property. This is the most secure way to ensure permanent affordability of a multi-family owner-occupant building. This may be an appropriate strategy if there is a functioning CLT available to buy the property, and if the property is or can be made affordable to the CLT. The CLT would need to be able to provide ground leases to individual unit owners. This requires that the state allow unit owners to hold undivided individual ownership rights interest in the land beneath the condominium. Some states only allow for unit holders to have a shared interest in the condo association that controls the land.[8]

[8] There is some debate over whether North Carolina condominium law allows for individual unit owners to hold undivided individual ownership rights interest in the land beneath the condominium. However, based on current CLT experience, it appears that this is an acceptable practice in the state. The Chapel Hill Community Home Trust uses the

- **A Shared Equity Condominium Association** may be used if all homes in the building are to be permanently affordable, and no land trust is available to buy the entire property. This strategy may be used when existing occupants of the building form a new condo association to buy their property (often through right of first refusal) or when an existing condo association votes to place affordability restrictions on the condos is unable or unwilling to transfer property ownership to an existing CLT.
    - Affordability and income restrictions are maintained through rules of the condominium association that place restrictions on resale prices and through low condo association fees. These restrictions are recoded through ground leases (if the condominium is in a state where unit owners may hold undivided individual ownership rights interest in the land) or restricted deed covenants.
    - While it is possible to maintain permanent affordability with a shared equity condominium, this is not the most secure option for preserving permanent affordability. Because only residents control the condo association, there is a risk that residents may vote to remove affordability restrictions. Though the association may initially be made up of owner-occupants committed to permanent affordability, as condominiums are resold, the makeup of the condo association may change to those less committed to the affordability mission. Since owner-occupants have a strong financial incentive to remove affordability restrictions in order to increase their equity potential, there is an inherent risk associated with having only owner-occupants controlling the affordability restrictions. For this reason, condo-buyer selection is crucial to the viability of a shared equity condominium in the long term. The condo association must conduct careful vetting of buyers to ensure that only those fully committed to the shared equity mission are accepted.
    - Managing a condo association requires that residents have the capacity to manage multi-family housing. This is more complex in a shared equity condominium since the condo association must create effective resale restrictions, monitor compliance with these restrictions, enforce these rules when a violation occurs, and screen applicants. Some shared equity condominium associations may elect to have an outside entity do the work of managing the property. It is strongly advised that a mission-driven organization with expertise in shared equity homeownership is used.
- **Restrictive Covenants** may be used if only a limited number of units in the condominium are to be affordability restricted.

Restrictive Covenants

Restrictive Deed Covenants are attached to the deed of a home or condominium to place restrictions on the resale of the property. They are more easily bypassed in the resale process. However, this strategy may be used by a CLT when they are unable to own or purchase an entire multi-family property and seek to maintain affordability restrictions on a portion of the condominiums in the building. It may also be used by a local government or other program to achieve permanent affordability of homes or condominiums in an area where no CLT exists, cannot or will not be formed, or the existing CLT is unable to buy the property. Affordability Covenants are not as enforceable as ground leases and have limited terms.

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same ground lease for condominium units as it does for single family homes. This strategy has worked for them without issue.

Methods

- In the case where a right of first refusal policy creates new owner-occupied condominiums in previous rental properties, local governments may wish to place long-term or permanent affordability restrictions on condominiums created with use of local subsidies by the residents. In this case, affordability covenants are often used to achieve affordability restrictions. The local government should use as many of the listed strategies as possible to ensure maintenance of and compliance with affordability restrictions.
- An option to purchase at a set price determined by a listed resale price formula should be included in the affordability covenant to determine the resale price of the home. The options and recommendations for the price formula are the same as those for a CLT home. The option to purchase allows the affordability steward to retain control over the resale of the home and ensure compliance with income and affordability restrictions. It also allows the affordability steward to update and renew the restrictive deed covenant to prevent it from expiring.
- The deed restriction should also include an option to cure, which states that the affordability steward has the right to step in to cure loan defaults to prevent foreclosure or retain a foreclosed property before it has been resold.
- The affordability steward can include an "excess proceeds" note, which states that if the home is sold at a price above that dictated by the resale price formula, the homeowner must pay the affordability steward the amount above the allowed price. The inclusion of the excess proceeds note helps to enforce the affordability restriction.

Best Practices

- **An affordability steward should be identified.** The affordability steward is an agency or organization tasked with the responsibility of monitoring the sale and resale of restricted affordable homes to ensure that the affordability covenant is honored. Without an active affordability steward, affordability covenants are often overlooked during the resale process and affordability restrictions are lost forever on the home. An affordability steward might be a public agency overseeing affordability covenants placed on affordable homes created through a public policy such as inclusionary housing, or might be a non-profit monitoring affordability on homes in its own program. Some non-profits also serve as affordability stewards to monitor the affordability of homes created through a public policy such as inclusionary zoning.
    - In the case where a limited number of condominiums in a larger multi-family building are to be maintained as permanently affordable and there is a local CLT, it is strongly recommended that the affordability covenant be held and managed by the CLT, the most qualified and committed entity to ensuring that affordability restrictions are maintained. This is the strategy advised for use by a local government in the case where an inclusionary housing policy creates a fraction of affordable units in each new condominium development.
- **Use of a deed of trust** is recommended since deed covenants may be insufficient to ensure that homeowners adhere to the affordability covenant during the resale process. Action should be taken in order to ensure that the affordability steward is notified if the homeowner takes action in violation of the affordability covenant. In order to provide an additional level of assurance, some programs use a deed of trust. With a deed of trust, legal title to the property is transferred to the program, which holds it as security for the "debt" that is owed by the affordable homebuyer for receiving the property at below-market-rate. The deed of

trust is recorded for the price difference between the market rate and the sale price of the home. All other obligations associated with the affordable home or unit should also be included in the deed of trust. This increases the likelihood that the program will be notified when a homebuyer attempts to resell of refinance their home, enabling them to monitor homebuyer actions to prevent those that could undermine affordability. The holder of the deed of trust would also be notified if the home is foreclosed, before the home is resold. This gives the affordability steward time to cure the foreclosure and retain the home in the program.

- **Persuade lenders to sign a "Third Party Notification" agreement whenever an affordable home is sold**. This requires that the lender notify the affordability steward when the homeowner is delinquent or in default with mortgage payments. This gives the affordability steward time to work with the homeowner to resolve mortgage payment issues and retain the home. By working with homeowners to prevent disclosure, homes remain in the affordability covenant system. However, many programs have reported challenges persuading lenders to sign a "Third Party Notification" agreement as lenders may feel that the requirements of the agreement are too burdensome. Still, some programs, particularly those run by public agencies, have been successful using such agreements.
- Affordability Stewards should **maintain contact with homeowners** and provide ongoing homeownership counseling. The ongoing relationship between the program and the homeowner reduces the likelihood that the homeowner will violate the restrictive covenant.

Direct-to-Buyer Assistance

Down payment and Closing Cost Assistance

Down payment and closing costs present a significant barrier to homeownership. While households may qualify for a mortgage loan and be able to meet monthly payments, the lump sum down payment and closing cost requirements of home buying may be beyond the savings abilities of many households. By providing assistance with these costs, either by providing grants or loans, programs can increase access to homeownership for low-income households.

Methods

- **Funds Matching** encourages homeowners to save while providing assistance. Often, funds matching programs operate through Individual Development Accounts (IDA), special savings accounts in which the deposits of participants are matched up to a certain amount. IDAs and other funds matching programs have the benefit of incentivizing low-income households to save while also providing the necessary cash financial assistance to make homeownership accessible. DHIC matches funds that affordable homebuyers put towards down payments and closing costs up to $7,500.
- **Grants** provide homebuyers with the funds to pay mortgages and do not require repayment.
- **Forgivable Loan:** Some programs loan homebuyers cash to pay down payment costs and only require that the down payment is repaid if the homeowner resells or refinances the home in a set amount of time.
- By providing **low interest loans** for homebuyers to pay down payments, programs reduce upfront cash-related barriers to homeownership. The loan is then paid off over time similar to the primary mortgage loan.

Best Practices

- Programs providing down payment should **require that homebuyers put forth some of the upfront costs of purchasing the home**. This could take the form of a required percentage of the down payment, a specified down payment amount, or requiring that the homeowner pays closing costs in full. By requiring the homebuyers to pay some of the upfront costs, programs help ensure that the homebuyer has the capacity to save and/or that they have a support system in place in the event of an adverse financial event. Programs that require a homeowner to pay a percentage or specified amount of the down payment may consider basing this percentage on income bracket.
- **Subsidy Layering:** Prospective homeowners can pair local government or non-profit programs with existing state or federal programs to bridge the gap between loan amounts and upfront cost of buying a home. By pairing local subsidies and programs with state or federal opportunities such as the NC Home Advantage Mortgage offered by the NCHFA, homeownership can be made more accessible and affordable to local residents. Housing counseling is crucial to the process of subsidy layering since program application and requirements can be complex and counseling can help households ensure that they are taking advantage of all available programs. Housing counselors should be well-versed in not just local programs but state and federal programs as well.

Community Type

- Residents have stable income but are low income and cannot pay down payment.

Benefits

- **Makes Homeownership More Accessible:** By removing or reducing the barrier of upfront costs, down payment or closing cost assistance can help cash-poor families with a stable income access homeownership
- **Helps to Build Wealth** by removing barriers to homeownership for households that would otherwise be unable to afford purchase costs. This translates income that would otherwise be sunk into rent payments into equity for low-income families.

Case Study- Raleigh First Time Homebuyer Program

The Raleigh First Time Homebuyer Program provides low interest loans to first time homebuyers to make up the difference between approved loan and down payment costs. The program is available to applicants under the income limit (e.g. $49,050 for a two-person household) who qualify as first-time homebuyers under the HUD definition. The program is for homebuyers who are unable to qualify for the full amount to purchase a home due to lack of down payment/ closing cost or excessive debt to income ratio, which cannot exceed 43%. Participants are required to occupy the home as their primary residence. The loans are funded by private sector lending institutions. Buyers can receive the maximum amount approved by private sector institutions, usually up to $30,000. Funds are repaid monthly over a 30-year term at market rate. Raleigh also has a Second-Time Homebuyer Program, which is funded by Federal Home Investment Partnership (HOME) program funds. Second-time mortgage buyers can qualify for up to $20,000, according to need. Principal balance is reduced and forgiven after 20 years of occupancy. The sales price of the home must not exceed $211,000 for existing construction homes, and $224,000 for new construction homes. Qualifying homeowners must not exceed maximum income limits (e.g. $49,050 for a two-person household). Funds are repaid monthly over a 30-year term at market rate.

Spotlight on Existing Opportunities

NC Home Advantage Mortgage

The NC Home Advantage Mortgage, provided by the North Carolina Housing Finance Agency (NCHFA) provides a fixed-rate mortgage and down payment assistance up to 5% of loan. The down payment assistance is forgiven at a rate of 20% per year starting at year 11 of ownership. It only has to be repaid if home is sold, refinanced, or transferred before 15 years of residency have passed. Eligible recipients must be within income limits, which are defined by each county.

Filling the Gaps

- By looking at available state and federal programs, local programs can devise strategies that fill gaps for local residents rather than duplicating already available programs. Possible areas for local programs to fill include:
    - Providing down payment and closing cost funds not met by the NC Home Advantage Mortgage
    - Providing grants funds that help families who have to repay their down payment assistance loan due to certain qualifying unexpected circumstances such as:
        - Home sale due to household death before 15 years of residency
        - Home sale due to unexpected financial circumstances including job loss, income reduction, injury, or illness.
        - Providing down payment and closing cost funds to make up the difference between the $20,000 cap and costs for non-first-time homebuyers.

Mortgage Assistance

Subsidized Mortgage

Subsidized mortgages reduce the monthly cost of homeownership for low and very low-income families by providing a subsidy that covers a portion of the mortgage payment. Some programs work by directly providing the home loan, with a reduced cost in the monthly repayment. Other programs provide a portion of the private loan repayment amount. Some programs require repayment of all or a portion of the subsidy at time of resale while others do not require subsidy repayment.

Methods

- By providing subsidies that pay a portion of the monthly mortgage amount and is repaid when the home is sold, mortgage assistance can reduce housing costs to families while using a sustainable funding source that is replenished and recycled for use with other families. However, programs that do not require repayment maximize household equity and therefore are most effective for wealth transfer.
- Programs that provide a monthly subsidy payment on a portion of a private loan will need to develop a payment strategy, since most mortgage lenders only accept one payment source each month. This may require active involvement of both the subsidy organization and lender to develop an appropriate strategy. Some strategies include lender agreements to accept two payments per month or development of a special account for the deposit of voucher amounts.

Best Practices

- Programs should **regularly re-assess family income**. Subsidy amount should be based on household income and should be responsive to income changes. Household payment amount should be based on an affordability calculation such as 30% of household income. For very low-income households, payment ability may be below 30% of household income. The best affordability determination systems take into account overall income to determine the affordability percentage bracket, which should be a lower percentage for very low-income households.
- Low and very income families are less likely to have the necessary financial skills and knowledge to purchase a home and be successful home owners. It is **essential that program staff have homeownership expertise.**
- Housing counseling should be provided to prospective and ongoing program participants. Programs should either provide these services themselves or partner with a housing counseling agency. In order to maximize the success rate of participants, participation in **housing counseling should be a requirement for subsidy receipt**.
- Since subsidy recipients are usually low and very low income, they may not have the savings required for homeownership. To support homeownership, **subsidy agencies should develop or partner with programs to promote savings**. Many programs use matched savings accounts called Individual Development Accounts (IDAs) to help incentivize saving.

Community Type

- Low or very low-income households with reliable regular income interested in homeownership
- Shortage of available rental options for low or very low-income families.
- Low or moderate cost housing market OR sufficient political will and funds available (see Section 8 Homeownership Program) to fund the payment affordability gap between mortgage cost and family payment ability in a high-cost market.

Benefits

- **Increases Accessibility of Homeownership:** This is one of the very few homeownership strategies that creates a realistic path to homeownership for low-income and very low-income families. The subsidy payment reduces the cost of homeownership overall. Meanwhile, the assurance that subsidy funds will increase if the homebuyer's income decreases helps to provide security for families who might otherwise be unable to secure funding for purchase.
- **Builds Wealth:** Homeownership subsidies provide funding to meet the gap in between the cost of homeownership and a family's housing payment ability. This gap usually prevents families from pursing homeownership, leaving them to funnel their income into rent payments that build wealth for landlords rather than tenants. By filling the financial gap to affordable homeownership, mortgage subsidies can create stability, security, and wealth for families that are most in need in a community.
- **Increases Security and Stability of Homeownership** Unlike most affordable housing programs, this is one of the few programs that ensures affordability of mortgage payment based on the household income even if that income changes. This greatly reduces the financial risk involved in homeownership for low-income households.

Spotlight on Existing Opportunities

Section 8 Homeownership

The Housing and Community Development Act of 1992 authorized the use of the Section 8 program for assistance to first-time homebuyers (no ownership within 3 years). Local public housing authorities are allowed, but not required, to offer the homeownership option to voucher recipients. In 2007, 450 of 3,500 Housing Authorities offered homeownership vouchers. The failure to widely adopt the homeownership option is related to the relatively small provision of financial resources to cover the additional administrative burden of creating and running the program. Housing Authorities may receive $1,000 in administrative fees per homeowner (only up to 2,000 homeowners nationally). Family qualified income for adult family members must be federal minimum wage multiplied by 2,000 hours. An exception is made for participants receiving SSDI, who must receive 12 months of SSDI per year. TANF is only counted towards qualified income for disabled and elderly families. Families must complete pre-assistance homeownership and housing counseling. Local housing authorities may create additional qualification requirements. Families may purchase homes outside of the jurisdiction providing the voucher as long as they are income-eligible in the jurisdiction. Monthly payment is usually 30% of family's adjusted monthly income. The maximum term of mortgage assistance is 15 years. Those with a mortgage term less than 20 years may only receive assistance for 10 years.

Methods

Though the program has been adopted by a minority of housing authorities, some housing authorities have adopted the program and successfully maintained it over the last decade or longer. Those agencies with successful homeownership programs are those that are fully committed to homeownership as a top priority for the agency, since the administrative work to start the program will not be fully compensated by HUD funds. Those who wish to support a local housing authority in developing, expanding, improving or maintain a Section 8 Homeownership Program should contact one of the housing authorities that has been most successful in this area.

- 41 housing authorities in North Carolina have provided homeownership vouchers. The NC county with the most successful program, in terms of consistency and numbers of vouchers issued, is Greensboro, which had issued a total of 112 vouchers by 2012 with not a single year of interruption since they began the program in 2004. Annual vouchers distributed range from 7 to 19. The Greensboro housing authority continues to support homeownership and its literature on Section 8 places the homeownership option at equal footing with rental.
- Within the triangle area Chatham, Wake, and Durham housing authorities have provided vouchers (as of the last HUD-published record in 2012). According to the North Carolina Housing Coalition, Chatham and Wake currently still have active programs.[9]

Best Practices

- The largest use of the voucher program in the country is in the New York City Housing Authority, which began its program in 2006 and issued vouchers every year through 2012 data recording with a total of 349 vouchers. This shows that even in a high-priced market,

[9] According to a HUD report on Section 8 Homeownership up to 2012, Durham has provided thirty-five homeownership vouchers with the last in 2012, Wake County had provided 3 vouches with the last in 2008, and Chatham County had provided five vouchers with the last in 2006.

the homeownership voucher program can be successful. Other successful high-utilization programs include Chicago, Detroit, Manchester New Hampshire, and Miami.

- The successful implementation of the program requires that staff have homeownership knowledge. Housing Authorities should consider paying for the training of staff in homeownership, having staff become certified housing counselors, or hiring staff with homeownership experience.
- It may be challenging to find lenders for voucher recipients. It is crucial that housing authorities develop partnerships with lenders who are willing to provide mortgages to Section 8 voucher recipients. Housing Authorities will need to work with lending partners to develop a strategy for payment, since most lenders don't accept two monthly payments on one loan. Citizens Bank was an early partner in the Section 8 homeownership program and worked early on with Fannie Mae to provide loans to voucher recipients. Wells Fargo has also previously worked with housing authorities to provide loans.
- To support homeownership, Housing Authorities should promote saving through HUD's Family Self Sufficiency (FSS) program, an optional program for Housing Authorities that helps support financial security through education and a household escrow account.

Community Type

- Housing authority is fully committed to providing homeownership opportunities.
- High housing costs can be a barrier to implementation of the program. However, in most cases, high housing costs apply to both rental and purchase housing and should not be a deterrent to implementing the homeownership option. The success of New York City Housing Authority with the program demonstrates the possibility of developing a successful program in a high cost housing market.

Benefits

- The program meets all of the same goals as other mortgage subsidies, including, increasing Accessibility of Homeownership, building wealth, and reducing the risk of homeownership for families.
- The program **uses existing funds to create new affordable homeownership opportunities** that would otherwise be spent on rent subsidies. The use of these funds for homeownership helps to promote financial independence and stability and transfer wealth. Funds that would be spent anyway on the same family are leveraged to help families gain financial assets and a permanent place to live.

USDA Section 502 Single Family Housing Direct Home Loans

Single Family Housing Direct Loans provide subsidized fixed-rate low interest loans that reduce the effective cost of home purchase for low-income and very low-income families and increase repayment ability. Families must live in qualifying rural areas. By providing subsidies that pay a portion of the monthly mortgage amount and is repaid when the home is sold, this program reduces housing costs to families while using a sustainable funding source that is replenished and recycled for use with other families. The program is for low-income families in qualifying rural areas (population of less than 35,000) who do not have a "safe, decent, and sanitary" residence and who cannot otherwise qualify for a loan that they have reasonable ability to repay. Households must be below 50% of area AMI and be unable to receive credit elsewhere. Funds may be used to purchase homes, build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. The program provides 100% financed loans with payment subsidies financed by the government that reduce mortgage payment amounts and the effective interest rate. The family's monthly payment will be the greater of the two between 24% of adjusted monthly income or an equivalent interest rate of 1%. Household income changes affect the amount of the subsidy and their monthly payment amount.

- Certain areas of the Triangle qualify for these programs, including most of Chatham County (excluding the part annexed by Cary), Hillsborough and the parts of Orange County west and north of Hillsborough including Mebane and West of Carrboro including White Cross, all of Alamance County, areas south of Apex including Holly Springs and Fuquay-Varina, and parts of eastern Wake County including Lassiter, parts of Wake Forest, and Knightdale.
- Families must occupy the home as their primary residence
- Certain restrictions are placed on home features
- Down payment is only required if the household's non-retirement assets are greater than $15,000, or $20,000 for elderly households.
- The income limits by county and household can be found here: www.rd.usda.gov/files/RD-DirectLimitMap.pdf
- Repayment period is usually 33 years, but can be extended to 38 years for very low-income families (adjusted income at or below 60% of AMI). Manufactured homes have a maximum term of 30 years.
- Loan amount is fixed and will equal the lower rate between the rate at time of approval or closing.
- Borrowers are required to repay all or a portion of the subsidy when the title transfers or the borrower no longer lives in the dwelling
- After repayment assistance is factored in, loan interest rate can be as low as 1%
- For assistance with this program, an applicant should go to a USDA service center. Centers in or near the Triangle Region are located in Pittsboro, Sanford, Raleigh, Smithfield, Hillsborough, Henderson, Burlington and Asheboro.

Community Partner Loan Pool

The North Carolina Housing Finance Agency administers soft second mortgages through the Community Partner Loan Pool program, which provides 0% deferred loans to homebuyers through participating affordable housing programs. The program is funded with federal funds from the HOME Investment Partnership Program. The loan usually only must be repaid at the point of resale. In this way HFA, assumes part of the debt on the home, but recoups costs when the home is resold. When combined with the NC Home Advantage Mortgage, this loan can be worth up to 20% of the purchase price. Applicants to the program must earn no more than 80% of AMI and their home must be within cost limits. A minimum credit score of 640 is required. Borrower's housing ratio must be between 20%-32% and Total Debt-to-Income ratio may not exceed 43%. Qualifying home buyers are required to complete homeowner education. In order to apply, home buyers must go through their affordable housing program (only participating programs) who will submit an application on behalf of the homebuyer.

Mortgage Credit Certificate

Mortgage Credit Certificates are administered by NCHFA. First time homebuyers, veterans, and buyers in specified census tracts can claim a federal tax credit of 30% of their mortgage (50% on new construction) in an amount up to $2,000 per year. Homeowners can continue to receive the credit for the length of their mortgage. People can receive this credit in a lump sum at tax time or can receive it in monthly amounts by withholding less the amount of the credit in monthly income taxes. Homeowners must be within income limits, which are defined by county. The qualifying sales price limit on the home is $250,000. This credit is only helpful for those who owe taxes and therefore many not help very low-income people.

Low-Interest Loans

Low interest loans can increase the affordability of a home over the life of a mortgage. By ensuring fixed low rates, low interest loan programs can reduce financial barriers to homeownership, particularly the financial risk of taking on a mortgage. While low interest loans may be sufficient to help some moderate-income families access homeownership, in most cases these loans should be paired with other programs to help low-income families afford homeownership both at time of purchase and over the lifetime of ownership. While low interest loans modestly can increase affordability over the mortgage period, they do not ensure affordability or eliminate other housing-cost associated risks, such as property taxes and unexpected repairs. Thus, these loans should be considered as a part of a package of programs, strategies, and subsidies that can make homeownership affordable, accessible, and sustainable for low and moderate-income households.

- One example of an existing program that provides a low interest mortgage is the NC Home Advantage Mortgage. In addition to down payment assistance, this loan, provided by NCHFA has rates on a fixed-rate mortgage that are lower than a conventional mortgage.

Increasing Access to Homeownership Opportunities

Though affordability is the main barrier to housing discussed in this toolkit, there are other relevant barriers to homeownership that may exist alongside affordability concerns. In some cases, such as in the case of subprime credit, barriers may exist that arise from the same or similar factors as affordability issues and may frequently co-occur. In these cases, it may not be sufficient to create affordable homeownership. Rather, the co-occurring barriers must also be addressed. In some cases, programs may already exist to meet the needs of prospective homebuyers however strategies are needed to link those interested in buying a home with appropriate programs that can help them overcome affordability and other barriers. This section will discuss strategies that can help to reduce barriers and increase access to homeownership.

Lease-Purchase

Lease-purchase, also known as rent-to-own, is a pathway to homeownership that bypasses the usual barriers associated with mortgage, down payment, and closing costs. Under a lease-purchase model, prospective buyers enter into a lease agreement to rent a home for a given time period with the option to buy the home at the end of the rental period. Homeowners who would not other be able to access a home due to high credit-related and financial barriers may be successful homebuyers under the lease-purchase model. This strategy may be used by both non-profit and for-profit landlords or developers.

Methods

- The structure and processes are defined in the lease agreement for the home. Under most lease agreements, at least a portion of the tenant's rent is put towards payment for the home. Under this model, the tenant earns equity on the home during the rental period. Usually, if the tenant elects not to purchase the home, all payments made towards the home are forfeited.

- Under some models, the tenant is guaranteed the first option to buy. The lease agreement may set the purchase price and in other cases the purchase price is determined at the time of sale. Under this model, the tenant earns equity on the home during the rental period and is free from the threat that the home may be sold to someone else.
- Programs can either start with the family or the home. Programs that start with the home may find a lower rate of lease-to-own conversion, since families may be interested in buying a different home than the one they lease.
- Lease-purchase can be used as a strategy to fund development of affordable owner-occupied homes with the Low Income Housing Tax Credit.

Best Practices

- Programs should **include credit-rebuilding assistance** so families are mortgage eligible when the time comes to buy
- Programs should **require homeowner education** in order to increase homeownership readiness and optimize lease-purchase conversion rate
- Length of the **optimal lease period may depend on the family's individual credit issues** and the time it will take to become mortgage eligible
- In order to optimize lease-to-own conversion rate, programs should be careful to **select tenants with a viable path to being mortgage-ready** when the lease term ended. This may include:
    - Addressing credit concerns
    - Maintaining stable employment or income
    - Increasing income
    - Saving to pay down payment and closing costs
- Ideally, the program would **develop a partnership with a mortgage lender who could create a specific rent-to-own mortgage product for applicants** to the program. Under such a product, the loan would be provided to the non-profit or for-profit entity running the program and assumed in a designated period of time by the tenant.
- Programs should seek subsidies or grants to fund the program costs. This can allow programs to optimize tenant investments by putting most or all of rent paid towards payment of the home (See LIHTC section).
- Assist with down payment costs to reduce barriers to homeownership
- Provide an Individual Development Account that matches savings tenants put towards down payment and closing costs.
- Structure the program to **allow for flexibility in purchase period**. Some families may need to rent longer before they buy. Under the model created by the Cleveland Housing Network, about 50% of families purchase when they first become eligible in year 15. However, an additional 25-30% purchase in year 17 and another 10% in year 18.
- **Ownership costs should be about the same as the family's pre-purchase rental costs**. This maximizes the probability that families will have success in long-term homeownership. It also increases the attractiveness of purchase, reducing the risk for the non-profit seller that they will maintain a large portfolio of unsold homes.
- In order to ensure long-term affordability for families is the homes, **development should be done with energy-efficiency in mind.**

- A number of lease-purchase programs have struggled to remain financially viable and eventually ended due to financial issues. Successful financial management of lease-purchase programs requires proactive and vigilant financial planning and monitoring during the lease period. The following strategies are recommended to maintain the financial viability of the lease-purchase program long term.
    - **Staff should be trained in asset management**
    - **Minimize bank debt**. CHN caps each project's permanent bank debt to $5,000 per home. Through pre-negotiated terms with public-sector lenders, lease-purchase buyers assume this loan as a no-interest deferred loan that only must be repaid at point of resale.
    - **Shop annually for the best possible cost insurance rates**. Coverage for single family projects does not need to be as extensive as that for multi-family projects.
    - Programs should proactively monitor property values and intervene when property taxes conflict with property values on program homes.
    - Some programs pay utilities while others ask residents to pay utilities. For any utilities paid by the program, usage rates should be monitored closely, **utility conservation devices should be installed, and residents with high-energy usage should be communicated with to encourage responsible usag**e. Programs may consider using lease clauses that tie successful residency to responsible utility usage.
    - Maintenance and make-ready **repairs should never be neglected or cut back as a budget-saving measure**. Reductions in proactive maintenance and make-ready repairs of homes can lead to catastrophic financial losses as homes may become less attractive to prospective residents, thus reducing turnover rates and rental revenue.
    - **Rent should be raised on a regular time frame**, rather than as needed. This helps to prepare the program for housing costs as the housing stock begins to age as well as management-related unexpected costs. Costs associated with problematic families are very high, including political problems from complains, costs of evictions, and costs of repairs.

Challenges

- It can be difficult to find families who will be ready for homeownership by the time the lease period of the process is complete. Since eligibility for mortgage financing depends on both the tenant's finances and the mortgage lending environment, this assessment can be challenging.
- Lease-purchase may be unfamiliar to potential buyers and may arise suspicion of the legitimacy of the process. Suspicion may be amplified by the historic use of similar models for predatory purposes.

Community Type

- Communities with high numbers of vacant homes or lots for sale. Lease-purchase has historically been a challenging financial model for organizations. It may be most successful in low-cost housing markets. Since this strategy can be paired with use of federal credits for housing development, it can be used to bring needed resources into a community to revitalize homes. Lease-purchase can help to match low-income households with existing vacant homes in order to bring new residents to a neighborhood who would not otherwise be able to buy homes.

- Residents with stable income but cash or other access barriers who need a low barrier process to homeownership.

Benefits

- **Reduces rental tenant threat of displacement** due to property being sold during occupancy
- **Increases the accessibility of homeownership** by reducing credit and financial barriers. It can also help to introduce renters to homeownership through a more familiar and less intimidating process. It also reduces credit-related barriers to homeownership
- Can helps tenants to **build wealth** by converting a portion of rental payments into an investment in a home.
- Can be paired with affordability strategies to **address both credit and affordability barriers together.** This strategy, when paired with federal tax credits, is one of the few programs that can provide a viable path to homeownership for very low-income homeowners.
- May help owners/developers to sell homes in a less optimal housing market or to sell less desirable homes
- Can create a pathway whereby federal subsidies intended for rental housing (LIHTC) can be used to fund affordable homeownership.
- **Helps to promote social capital** by converting renters into owners. Tenants may be more motivated to care for the home due to seeing their efforts as an investment in their future purchase

Case Study- Cleveland Housing Network

The Cleveland Housing Network is the largest developer of LIHTC-funded rent-to-own homes in the country. They have developed 2,885 rent-to-own homes primarily using LIHTC credits. The agency reports that 85-90% of renters transition to homeowners through the program. Standard family rent is in the $500-per-month range. Once the homes transition to ownership, they are appraised in a range from $30,000 to $80,000. Residents in program homes must be below 60% of AMI and are required to complete homeownership education classes before moving into their rental units. About 80% of participant households are below 150% of the federal poverty level. An important feature of the program is that once a family moves in, they remain eligible for residence and eventual home purchase regardless of income changes. This is quite different from many affordable rental programs that penalize families for income increases. The program thus may incentivize families to work toward income increases in order to prepare for the homeownership opportunity they know is coming. CHN provides mandatory homeownership counseling for families for 5 years before the homeownership opportunity arrives at year 16. About 1/3 of families stay in their home to the 15-year mark. At year 16, after applying rent paid towards the purchase of the home, the home is sold to resident families for the remaining unpaid amount of the home value. CHN offers closing cost assistance, IDA programs and short term, self-financed loans at 0% interest. Residents in the program can receive matched funds up to $4,000 through the IDA program. Combined, these tools can bring down the amount financed up to $10,000 or less. A key feature of this program is that because rent works towards the home payments, families who would not qualify for home loans due to subprime or blank credit can become homeowners. The majority of CHN funding comes from donations, grants, and revenue from program services.

Housing Counseling

Housing Counseling is a key component of any homeownership strategy because it fills the knowledge gap between prospective homebuyers and successful homeownership. Housing counselors link households to programs that can help make homeownership affordable and accessible. It is the job of the housing counselor to be well-versed in local, state, federal, and non-profit housing programs to assist households with getting the maximum assistance for which they are eligible. Housing counselors, when embedded in other organizations with which rental households have contact, can help promote homeownership by showing low and moderate-income households with steady incomes that homeownership may be within reach. Housing counselors can help prospective homeowners navigate the complex financial and administrative aspects of home buying. They also increase readiness of home buyers for successful long-term homeownership by providing education and financial information.

- HUD provides funding for certified housing counseling programs. In order to qualify for funding, programs must meet strict requirements. Housing Counseling may only be provided by HUD certified counselors. To become certified, counselors must pass a standardized exam covering six topic areas and work for a HUD-approved housing counseling agency. Before taking the exam, counselors participate in about 16 hours of online training and extensive additional study time. The six topic areas include: financial management, housing affordability, fair housing, homeownership, avoiding foreclosure, and tenancy.
- Housing Counseling Agencies generally provide counseling in these areas:
    - Budgeting
    - Credit
    - Managing assets
    - Protecting assets
    - Programs and options for making homeownership more affordable
    - Abusive lending practices
    - Financial viability of homeownership
    - Readiness for homeownership
    - Fair housing laws and violations
    - Pre-purchase home buying process
    - Responsibilities involved in post-purchase homeownership
    - Programs and options for helping existing homeowners to stay in their homes affordably
    - Financial circumstances that promote risk of foreclosure
    - Strategies to prevent foreclosure
    - Financing a home and the loan application process
- Programs that wish to provide housing counseling but do not seek HUD funds, do not have to use certified counselors.
- The following are the current HUD-certified housing counseling agencies in the Triangle Area. There are a number of counties in the Triangle that do not have a housing counseling agency.
    - Centre for Homeownership & Economic Development Corporation
      105 W Corbin St
      Hillsborough, NC 27278-2192
      (919) 241-4718

View website

- Consumer Credit Counseling at Triangle Family Services
  3937 Western Blvd
  Raleigh, NC 27606-1936
  (919) 821-0790
  View website

- Reinvestment Partners (formerly CRA*NC and Durham Affordable Housing Coalition
  110 E Geer St
  Durham, NC 27701-2261
  (919) 667-1000
  View website

- Telamon Corporation
  5560 Munford Rd, Ste 201
  Raleigh, NC 27612-2621
  (919) 899-9911

Benefits

- **Makes homeownership more accessible:** By providing information and connecting prospective homeowners to appropriate local, state, and federal programs, housing counseling increases the accessibility of homeownership for first time homebuyers, low and moderate-income families, and those facing significant barriers to homeownership.
- Housing counseling increases the effectiveness and reach of affordable homeownership programs by matching community members to programs appropriate for them and helping them to layer subsidies and programs. It allows communities to benefit from federal and state programs through the use of experts who can navigate the complexities of these programs.

Credit Rebuilding

Methods

- **On-time Rent Reporting:** Reporting on-time rent of tenants can improve credit dramatically. This strategy is particularly useful in lease-purchase program. Families with credit issues can enroll in the program and the program can report the family's on-time rent payments to the rent bureau, which can improve family credit. A pilot run by Credit Builders Alliance, a non-profit that helps organizations to start and manage credit-building programs, found that 79% of participants improved their credit standing as a result of on-time rent reporting. This may also be a strategy to use with programs receiving local funds. Programs could be required to report on-time rental payments of tenants who opt-in in an effort to improve low-income family credit and prepare families for future homeownership. This can also help families without credit to begin building credit. Currently, Experian is the only major credit bureau to accept on-time rent reporting.
- **Micro-Loans:** Some organizations have found that they can rebuild participant credit by providing a small loan to participants and reporting when participants make on-time payments on the loan. The program requires only a small amount of capital to start, since the loans can be as small as several hundred dollars.
  - This strategy can help to rebuild credit for even very low-income households. The small loan has the added benefit of providing an infusion of cash often deeply

needed by cash-poor low and very low-income households and can serve in place of predatory payday loans often used by cash-poor low-income households.
    - For programs that run both rental and homeownership programs, micro-loans can help to build credit readiness of rental households and prepare them for homeownership.
    - The strategy is not restricted to those in the lowest income brackets. As discussed throughout this toolkit, many housing programs already provide loans to their participants, who may be at any stage of the home-buying or homeownership process. By starting to report on time payments of participants for existing loan programs, housing agencies can build a credit-building benefit into their program and help to re-connect households to the traditional lending market.
    - Programs will likely need a reporting partner who can facilitate reporting to credit bureaus, since credit bureau reporting is a restricted process.
        - Some programs partner with a company that already reports to credit bureaus. Through this partnership, the mission driven program would provide the loan and receive and track payments. When a participant pays their loan on time they would report this to the reporting partner who would pass the information along to the credit bureaus.
        - Other programs use the services of Credit Builders Alliance (CBA), a non-profit with credit-reporting capabilities. By becoming a member of the alliance, organizations can use CBA as the credit-reporting intermediary to the credit bureaus.
- Since loans may be a very small amount, the program can be low barrier compared to larger loan programs. If the exclusive purpose of the program is to rebuild credit, the loan amount should be kept small, reducing the risk and the capital requirements for the managing organization. However, if credit-building is only part of a program intended to connect households with needed capital, programs might consider a more traditional lending strategy in which the amount of the loan is connected to the individual household risk of non-repayment.
- Programs should develop a multi-stage warning and closeout process for negligent borrowers. The implications of non-repayment may depend on the purpose of the program and the loan amount. For micro-loan programs with the exclusive purpose of credit-rebuilding, participants should be given one to two chances for late payment forgiveness. On the third late payment, programs may opt to work with participants to develop a repayment strategy. Participants that are unable to comply with the repayment plan at this stage should be terminated from the program. Since the loan amount is small, the program can repay it themselves at time of termination. In order to maintain the mission of credit-rebuilding, program termination should not be reported to the credit-bureau reporting partner.

Best Practices

- Focus on building good credit. Traditionally, non-profit organizations have worked to help their clients eliminate debt in order to address bad credit. This can be a slow and expensive process for those who do not have the funds to pay off debts. More recently, however, non-profits have found that focusing on rebuilding good credit is a faster, less expensive, and more effective way to improve credit.

- The key to helping build credit for any program is to report only on-time payments to the credit bureau reporting partner. Late payments and negligent payments should not be reported, as these could have the reverse of the desired effect for the program.
- Credit Bureau Reporting. Reporting on-time payments of loans, rent, or similar financial products to credit bureaus is one of the most effective ways to build good credit. Non-profits that wish to report client payments will need a partner with capacity to directly report to Credit Bureaus. Credit Rebuilders Alliance is a non-profit that provides this service. Other programs have entered into partnerships with large financial institutions such as banks in order to facilitate credit bureau reporting.
- Participants should be required to participate in a financial literacy education program before receiving loans.
- In order to improve household success rates, program may consider providing a financial case manager to participating households to increase capacity for financial planning and saving and deal proactively with adverse financial circumstances as they arise.

Community Type

- Residents with homeownership access barriers related to subprime credit.
- Existing homeowners with poor access to traditional lending for home-related expenses (e.g. modification and repairs) due to subprime credit.

Benefits

- Helps to **make homeownership more accessible** by reducing credit-related barriers to home loans.
- Can help existing homeowners to access capital by providing loans and improving credit simultaneously.

Supporting Existing Homeowners

While a large portion of public funds available for affordable homeownership focus on creating new opportunities, many communities have a large population of existing homeowners who may be facing a number of pressures that threaten their ownership of their homes. Unexpected financial hardships may threaten foreclosure when homeowners are unable to pay their mortgages. Longtime homeowners may feel the pressure of development when affordability is threatened by rising property taxes associated with increasing property values. Aging and disabled homeowners may be unable to afford the modifications needed to make their homes safe and accessible. Any homeowner may struggle with the cost of major, or even minor, repairs. This section discusses the strategies and available programs that can help to support and protect existing low-income homeowners.

Alleviating Property Tax Burdens

Property Tax Circuit Breakers

Property tax circuit breakers take effect when property taxes exceed a certain percentage of income. Circuit Breakers usually take the form of tax credits or exemptions. The defining characteristic of a property tax circuit breaker, as compared to other property tax relief programs, is an inverse relationship between income and relief amount. Fifteen states and D.C. offer property tax circuit breaker programs

- For many property tax circuit breakers, homeowners below a set income are eligible for a percentage or amount of property tax relief when their property taxes exceed a certain percentage of income.
- Localities will need to decide who to include as qualified recipients of the tax benefit. Many states restrict these programs to low-income homeowners over age 65, but a number extend the program to low-income homeowners of all ages.
- Localities need to determine an appropriate income limit for the benefit. AMI should not be the only consideration. Localities should compare AMI against housing prices, property tax costs, and cost of living in order to determine an area-appropriate income cutoff.
- Circuit breakers should kick in for those in the qualifying income bracket when property taxes exceed a certain amount. This amount should be determined based on an affordability formula.
- All states limit the dollar amount that can be claimed in the credit, ranging from $75 to $8,000 in 2016.
- Payment caps can either be based on a percentage of income or a percentage of owed property taxes.
- Types of Circuit Breakers
    - Single Threshold: For all homeowners, property taxes are capped at a certain percentage of income (e.g. all homeowners owe no more than 5% of their income amount in property taxes). If calculated corrected, this effectively benefits those with low and moderate incomes, but not those with higher incomes, since their owed property taxes are effectively a smaller percentage of income. However, if done incorrectly, this could allow wealthy homeowners to benefit from tax relief on a very high-priced home. If using this type of threshold, it is recommended to set an income and home value cap on eligibility.
    - Multiple Threshold: Cap is based on a percentage of income, but the specific percentage changes based on income amount. This is how North Carolina's circuit breaker program for senior citizens and those with disabilities works. However, North Carolina's program only has two levels. Most programs have more. Maryland uses four threshold percentages: zero for the first $8,000 of income; 4% for the next $4,000; 6.5% for the next $4,000; and 9% for income above $16,000.
    - Sliding Scale: Property taxes paid are capped at a certain percentage of property taxes owed. The percentage is determined by income bracket. Connecticut's policy defines five brackets and tax relief percentages for married homeowners: first $15,200 of income, 50%; $15,201–$20,500 income, 40%; $20,501– $25,600, 30%; $25,601–$30,500, 20%; and over $30,500 but less than $37,300, 10%.

Best Practices

- Sliding scale and Multiple Threshold Caps allow for a more progressive tax effect than a Single Threshold Cap. Thus, **a single threshold cap is not recommended**.
- To maintain the value of the circuit breaker, the **credit amount limit should be tied to inflation**.
- Often, 30% is used as the affordability standard. However, affordability as a percentage of income varies based on income amount. For very low-income families, the affordability percentage may be lower. **A formula should be devised that considers overall income in setting the affordability percentage for a given household**.
- The main drawback to these programs is that they only help those who apply for them, meaning that **homeowner education and tax preparation assistance is crucial**.
- **When calculating income**, **percent of AMI rather than a set dollar amount should be used**.
- In order to enhance equity and reduce the promotion of inequity, circuit breaker qualification and benefit amount should be based only on income and property tax amount as a percentage of income. These financial metrics are sufficient to determine need level of all homeowners in an area. Policymakers should **avoid including other special considerations for members of certain groups**, including those based on age, disability, and military service.
- Though inclusion of assets in wealth-based eligibility determinations can improve the accuracy of the determination of need, the difficulty of verifying personal asset information and the burden that discovery and audit places on administrators is substantial. Thus, **it is not recommended to include assets other than home value in eligibility determinations**.
- **Qualifying properties should be restricted to a primary residence**.
- A number of tools can be used to **prevent exorbitant payments for homeowners with very high home values** who are likely to be able to borrow against their home to pay property taxes.
  - Some states use copayments to promote responsible homeownership and to ensure that home buyers continue to consider property tax increases in home buying decision. In these programs, the circuit breaker kicks in above a certain threshold tax amount. However, for taxes due above the threshold, the homeowner is responsible for a certain percentage of the taxes (for instance 40%) and the circuit breaker covers the rest.
  - Other states use a cap on the eligible amount of home valuation (for instance the first 300,000 in home value) eligibly for the circuit breaker. Value above the cap must be paid in full by the homeowner. Such systems can prevent exorbitant payments by the circuit breaker and encourage responsible homeownership. However, in extremely inflated housing markets, they may fail to prevent the displacement of low-income longtime homeowners in multi-generational family homes that have recently skyrocketed in price.
- In order to ensure adequate funding and distribution of the benefit, the circuit breaker **should be funded like an entitlement** not like a budget appropriation.

- Ensure fair distribution based on income by creating an inclusive and broad **definition of income that includes wages, interest payments, and government benefits**.

Community Type

- Communities undergoing or facing future development or gentrification pressures, which can put financial pressure on existing homeowners through property taxes. The resulting increases in property tax revenue overall from a boon to the housing market can help to compensate for the loss of revenue resulting from the circuit breaker.
- Larger and more economically diverse communities OR homogenous communities with mostly high-income households. In a small and homogenous tax based with mostly low-income households, enacting this type of tax relief program could result in a drastic loss of government income. It is important that the community is diverse or predominantly higher income so that the circuit breaker is economically sustainable for the locality enacting it. Local governments without excess income from rising property values will need to devise a way to make up for the loss in revenue resulting from the circuit breaker. A raise in property taxes may be politically controversial and, when coinciding with the enactment of the circuit breaker, may be seen by some as unfair.

Benefits

- Help to prevent home loss and displacement and promote long-term stability and affordability for longtime community residents when their property taxes increase due to development and gentrification pressures. In these types of communities, longtime residents often need help paying increasing property taxes as gentrification or development pressures push home values up.
- Can prevent home loss due to unexpected family hardship resulting in an inability to pay property taxes.

Spotlight on Existing Opportunities

North Carolina Property Tax Circuit Breaker

The State of North Carolina currently has a property tax circuit breaker in place for those over age 65 and those with permanent 100% disability for property tax on a primary residence. Maximum qualifying annual income is $44,250. Applicants must have owned and occupied their homes for a minimum of 5 years. Property tax is limited to 4% of income for those who earn $29,500 or less and 5% for those who earn between $29,500 and $44,250. The tax amount above the restricted percent is deferred. The deferred amount for the past 3 years is due at the time of a disqualifying event. Disqualifying events include increase in income above the threshold or death of current owner/occupant.

Property Tax Deferral

Under a tax deferral program, households who have lived in their home for a certain number of years and meet income specifications can defer the payment of their property taxes until the home is sold. When the home is sold, the deferred taxes are repaid using profits from the sale. These programs are usually used to help older adults afford to stay in their homes by tapping into their home equity.

Methods

- A revolving loan fund must be set up in order to distribute and receive payments. The fund makes payments directly to the tax revenue office on behalf of the deferred property. A specific and consistent revenue source (not budget allocation dependent) will need to be designated. While the fund will regenerate, the initial years of the program will require the most upfront government funding, since new deferrals will be approved without repayments yet due.
- The deferral can either require full or partial repayment of taxes owed at time of resale. If a community wishes for the program to be fully self-sustaining and limited to low risk residents highly likely to leave their home in a short amount of time, a full repayment structure can be used. However, if the concern is mostly about affordability, and the community only wishes to recoup part of the owed taxes in order to limit the overall cost of the program, repayment may only be required for a limited number of years. North Carolina's Property Tax Circuit Breaker uses a partial deferral and requires that taxes owed be repaid for the last 3 years before the disqualifying event.
- Some programs charge a low interest rate and treat the deferral as a low interest loan. Programs wishing to charge interest should consider charging an interest rate that is sufficient to account for inflation, to prevent government funds lost during the deferral period. Simple, not compound, interest should be charged. A program that wishes to primarily serve homeowners should not charge an interest rate amount above inflation. The state of Wyoming provides example of a no-interest deferral program.
- Some programs allow for a complete deferral. However, many offer a partial deferral that requires a certain amount of taxes be paid each year. In the case of partial deferral, various methods are used to determine the amount owed. Some programs, such as The state of Wyoming's Program, allow for deferral of a set percentage of taxes owed. Programs that wish to ensure the affordability of long-term homeownership in gentrifying housing markets should consider determining the amount owed as a percentage of income. This ensures that some taxes are paid while allowing for an amount that is affordable for the homeowner.
- Some programs require that the homeowner submit a letter of agreement from the mortgage lender if any debt is still owed on the home.

Best Practices

- These programs are designed for cash-poor homeowners who are likely to sell or transfer their homes in a limited amount of time. If the time period is too long, the amount owed in taxes can exceed the resale price of the home, leaving either the homeowner in debt or the community unable to recoup its revenue as planned. For this reason, this type of strategy is usually **limited to Senior Citizens over a certain age**.
- In order to ensure the financial sustainability of the program, **regular home valuations should be compared against the to-date amount deferred in property taxes** on a home. Deferral approval should be stopped before or when amount deferred has depleted home equity. The state of Colorado requires that the value of the deferral and interest not exceed property market value minus the value of any liens.
- In order to limit the financial burden of the deferral at time of resale as well as to maximize the use of available funds based on household need, **deferral amount should be determined based on an affordability calculation that accounts for income, cost of living, and other housing-related costs** (such as a mortgage).

- The **deferred taxes should be repaid either at time of sale, transfer, or death of the homeowner**. Including an obligation to pay at time of transfer or death enables fund regeneration when an older adult passes a home on to a family member. It is standard to offer a year grace period after the homeowner's death before repayment is due.
- Like other property tax alleviation programs, **an income cap should be set for eligibility**. In order to ensure that the cap changes with inflation, **the cap should be based on a percentage of AMI** rather than a crude number. Programs usually require the homeowner to notify the government when their income rises to an amount disqualifying them from the program. In order to encourage prompt reporting, **a penalty should be applied when on time reporting does not occur**.
- For married spouses, **an age minimum should be placed for both partners**. This ensures that the program serves the intended population. Minnesota requires that one spouse be at least 65 (the qualifying age) and the other spouse be no younger than 62.
- Most programs **set a minimum time of residency in the home for eligibility**. Residency requirements range from 5 to 15 years.
- In order to reduce the risk of the deferral loan, programs should **require that homeowners maintain fire and casualty insurance** on the property.
- **Deferral should only be allowed on primary residence properties**.
- By combining circuit breakers and deferrals, with eligibility for each based on income bracket, governments can target exemptions for those most in need in the lowest income brackets and deferrals for low-income homeowners for whom the loan would not be an unmanageable burden.
- Many programs have limited reach and are not used by those intended. This is related to the often burdensome application process associated with these programs. Many programs require separate application before tax returns are submitted. If this system is used, community education and application assistance is crucial to the successful use of the program by those it targets. However, **reach of the program can be maximized by allowing eligible homeowners to opt into the program on their tax return and requiring no supplemental application**.

Community Type

- While deferrals can help with unmanageable taxes in communities facing gentrification and inflation, cost-burdened homeownership during retirement is an issue across communities and housing markets. Thus, this type of program is appropriate anywhere older homeowners live.
- For communities facing skyrocketing tax rates due to intense gentrification and development pressures, Property Tax Circuit Breakers may be a better option to prevent displacement in a diverse population of cost-burdened homeowners.

Benefits

- Deferrals allow older homeowners to stay in their homes longer without risking foreclosure due to fixed income or depletion of savings when property taxes rise, while not decreasing the revenue from property taxes overall.

Foreclosure Prevention

Reverse Mortgages

Definition

Owners 62 years and above with significant equity built up into their homes can borrow against their homes, receiving the loan as monthly installments or a lump sum that they can access as needed. The money must be repaid once the home is sold, the owner dies, or the owner moves.

Best Practices

- Prospective applicants should meet with a housing counselor who should help them create a financial plan and assess the risks and benefits of a reverse mortgage. **It is very important that communities invest in homeowner education and housing counseling to ensure that predatory reverse mortgage lending does not result in the displacement of older homeowners**.
- **A reverse mortgage should not be used as a first solution, but rather an option when other strategies have been exhausted**. By meeting with a housing counselor, a homeowner can learn about other foreclosure prevention and long-term housing affordability programs that may be less risky and/or costly than a reverse mortgage.
- This is **most appropriate for older seniors** for whom the annual gap between savings, income, and cost of living can be made up for by dividing the loan by the amount of time the person expects to live. This is not an appropriate solution for younger seniors, who may deplete their home equity too quickly, leaving them at risk for losing their home when they are unable to pay property taxes and utility costs.
- Prospective **applicants should own their home outright** or have a remaining loan small enough to be paid off with the proceeds from the reverse mortgage.

Community Type

- Residents have a stable income but are cash poor. This is a viable solution to cash shortages when the amount an older adult can obtain in a reverse mortgage loan is sufficient to cover the gap between income, savings, and cost of living. Owners continue to be responsible for paying property taxes, which can be an issue if the loan doesn't meet expenses, in which case the owner could end up losing their home.

Benefits

- Can help to **prevent displacement of older homeowners** by using home equity to provide necessary cash to pay ongoing homeownership costs such as utility costs and property taxes.
- May help older adults age in place by providing needed capital to fund necessary home improvements such as age-related accessibility and safety modifications.

Spotlight on Existing Opportunities

North Carolina Foreclosure Prevention Fund

The NC Foreclosure Prevention Fund provides forgivable, no interest, deferred loans to help with mortgage payments and other related expenses on a primary residence for homeowners who are struggling financially due to job loss or temporary unemployment, reduction of income, or temporary financial hardship, such as divorce, health or illness, the death of a spouse, or a natural disaster. The program will pay for up to 36 months or $36,000. Funds are provided as long as they are available each year. If the program runs out of funds, no additional applicants are accepted**.** The program immediately postpones foreclosure for applicants whose accounts are delinquent. While the program does not require that applicants have already entered foreclosure proceedings, applicants receive a 120 stay on any foreclosure proceeding to ensure that the home is not foreclosed on during the application review process. Homeowners with some but reduced income (due to no fault job loss, divorce, illness, death of co-borrower) can qualify for principal reduction. Beginning in year five, the loan is reduced 20% per year until it is totally forgiven in year ten. This does not apply if the home is refinanced to take out cash or consolidate debt. Unlike most other North Carolina state homeownership programs, homeowner's can be eligible for funds even when they have no income. Homeowners will only have to pay the loan back if you refinance, sell, or no longer use home as primary residence. If the home is sold below the value of the loan, the excess amount will be forgiven. Homeowners must not owe more than $300,000 on all mortgages combined, must have an acceptable mortgage history prior to the recent income-reducing or eliminating event, and must have no felony record in the past ten years.

Filling the Gaps

The NC Foreclosure Prevention Fund provides vital assistance to homeowners facing financial hardship to prevent displacement and foreclosure and promote stability. However, there are some gaps in the program's design that localities seeking to promote stability can help to fill with local programs and policies. The tax assistance programs listed above in this section can help to promote long-term affordability and prevent displacement due to tax cost burdens. However, when families face foreclosure related to other financial programs, localities may consider a stopgap foreclosure prevention program to fill gaps in the state fund program. Opportunities for filling these gaps are listed below:

- **Create a program that provides bridge funding for when applicants are denied assistance due to the NC Foreclosure Prevention Fund running out of funds.**
- Provide funds to those who would be ineligible through the NC Foreclosure Prevention Fund:
    - Undocumented residents
    - Felony record in the last 10 years
    - Financial hardship due to non-qualifying event. This might include:
        - Death of a non-spouse domestic partner
        - Separation from a non-spouse domestic partner
        - Order of protection taken out on a non-spouse domestic partner
        - Job loss with fault
        - Transitioning to a fixed income without an eligible income-reducing event

Rehabilitation, Modification, and Repair

Low and moderate-income households who live in their owner-occupied home long-term often face high costs for expensive repairs and modifications. Households unable to afford the cost of home maintenance may live in unhealthy and unsafe housing conditions that can lead to illness and injury. As people age, home modifications are often needed to homes to make them safe and accessible in later life. For those with disabilities, finding an ADA accessible home may be challenging. Existing homeowners who become disabled may need to modify their homes to address new accessibility needs. Affordable housing programs and local governments can work to prevent adverse health effects of living in poor home conditions by ensuring that affordable homes are developed to meet high quality standards. By encouraging or regulating the use of ADA accessible home design as standard practice, local governments can reduce the need for expensive home modifications in later life. However, cost assistance with home rehabilitation is an important aspect of supporting long-term successful homeownership for existing low and moderate-income homeowners.

Spotlight on Existing Opportunities

Section 502 Single Family Housing Repair Loans and Grants

These low interest loans provide up to $20,000 directly to low and moderate-income homeowners by the USDA for primary residence home repair or modifications. Households must be below 50% of area AMI and be unable to receive credit elsewhere as well as live in qualifying rural areas (fewer than 35,000 residents). **The program also provides grants of up to $7,500 to help very low-income older adults in rural areas modify their homes to remove safety and health hazards.** Grants only must be repaid if the home is sold within three years. Loans and grants can be combined. Loans may be used to purchase, build, relocate, improve, or rehabilitate a home. Loans can help maintain affordability through use for refinancing existing loans or installing energy-saving features in their home thereby reducing utility bills. Loans are repaid over twenty years and are fixed at 1% interest. For assistance with this program, an applicant should go to a USDA Service Center. Centers in or near the Triangle Region are located in Pittsboro, Sanford, Raleigh, Smithfield, Hillsborough, Henderson, Burlington and Asheboro.

- Certain areas of the Triangle qualify for these programs, including most of Chatham County (excluding the part annexed by Cary), Hillsborough and the parts of Orange County west and north of Hillsborough including Mebane and West of Carrboro including White Cross, all of Alamance County, areas south of Apex including Holly Springs and Fuquay-Varina, and parts of eastern Wake County including Lassiter, parts of Wake Forest, and Knightdale.
- Applicants apply for the program through approved lenders. In the Triangle Region, there are five approved lenders, who are located in Raleigh, Chapel Hill, and Apex. If applicants cannot find an approved lender, either of the two North Carolina Guaranteed Loan Coordinators can assist.

Spotlight on Existing Opportunities

Essential Single Family Rehabilitation Loan Pool

The North Carolina Essential Single Family Rehabilitation Loan Pool (RLP), funded by federal HOME program funds and administered by NCHFA, allocates 8 million dollars annually to counties in order to fund rehabilitation and repair of single family homes owned and occupied by households below 80% of AMI who qualify as elderly, disabled, veteran, or families with children under age six facing home-based lead exposure. Each year about thirty-three counties are eligible to receive $175,000 in funds (eligible counties are announced each year on a three-year rotating bases) in order to fund county-wide rehabilitation programs. Within the triangle, the large entitlement areas of Raleigh and Durham do not qualify for funds. While the county may choose to administer the rehabilitation work through a local government or non-profit, only county governments are eligible to receive directly funds.

Best Practices

- Applicant **homes should be triaged based on level of need** according to the safety and health impact of the needed repairs.
- In order to prevent the need for major repairs and reduce costs overall, **a proactive home quality screening program should be developed**. Ideally, the program would maintain a database on the age of homes and conduct regular inspections to assess current and future repair needs. This can enable proactive maintenance and minor

repairs that reduce expenditures on homes that have been allowed to fall into disrepair. Programs that act proactively will see lower rates of urgent repairs and reduce the health impact of families living in unsafe or unhealthy home conditions while they wait for funds. By predicting future home repair needs and costs and educating homeowners, programs may be able to work with some households to save for future home-related costs, reducing the overall financial burden on program funds.

Local Policy- Filling the Gaps

While the existence of state and federal programs to fund rehabilitation are useful tools for local governments or agencies seeking to support long-term low-income homeowners to maintain the quality and safety of their home environments, these programs are by no means comprehensive. There are crucial gaps that these programs do not cover. By analyzing these gaps, local programs can be developed that take advantage of available programs but provide a more comprehensive support system to all types of high need homeowners in their area. The following are strategies that local programs can use to fill gaps in the federal and state programs:

- **Insufficient Funds:** In counties where there are a large number of low-income homeowners with rehabilitation needs, $175,000 every three years in unlikely to be sufficient to meet the needs of all county homeowners. Counties that rely exclusively on loan pool funds are likely to end up with long waiting lists for program funds. Programs receiving and reviewing applications in qualifying rural areas should screen applicants for Section 502 eligibility and help eligible households to apply. This can reduce the pressure on county RLP funds. However, in ineligible (non-rural) counties or mixed rural/urban counties with high numbers of needy households living outside of Section 502 eligible areas, **additional local funds may be needed to reduce waitlists and meet household needs**. Because of funding limitations, most programs funded by RLP place a per-home cost maximum on repairs. **Homes that need major renovation or repair often need much greater amounts of funds than RLP program fund maximums allow**. For households living in eligible areas and below 60% of AMI, Section 502 funds may be combined with RLP funds to meet major home repair costs. However, for households that are not eligible for both programs, local funds can help to increase per-home funding for major repairs. These funds might be provided by local governments in a number of ways, included allowing for use of local housing trust fund money for owner-occupied home rehabilitation projects and allocating a certain amount of local budget funds for a home rehabilitation program that also benefits from state funds.
- There are some overlapping eligibility gaps that leave certain households without access to either state or federal rehabilitation funds. **Local programs can use their own funds to rehabilitate household homes ineligible for state or federal program**s. These gaps include:
  - Households living in major urban areas
  - Households that are not elderly, disabled, veteran, or facing child exposure to household lead and who cannot repay a home repair loan due to financial constraints.
  - Households that qualify for only one of the two programs (don't live in a qualifying rural area; not a veteran, elderly, disabled, or facing child exposure to a household lead; between 60 and 80% of AMI) with major home repair costs above the cap for the qualified program.

Preserving Affordability for Future Homeowners

These strategies largely focus on one time or limited term assistance for the current homeowner. However, a unique approach is to pair the strategies below with affordability restrictions in order to support the existing homeowner while preserving affordability for future generations. A number of strategies currently used at the state and local level in North Carolina use a subsidy recapture method, in which a subsidy is repaid into the pool of funds so that it may be re-used by other homeowners in need. **The problem with a subsidy recapture strategy is that due to inflation and increasing home values, the effective value of the subsidy funds diminishes over time.** Some of the public investment is lost every time a subsidy is issued and then repaid. The public will have to continually infuse the program with more capital or the program will be diluted in its effects over time. An alternate strategy is subsidy retention. **With subsidy retention, the subsidy investment stays in place in the assisted home, permanently reducing its price for future homebuyers.** In this way, the value of the subsidy is retained over time through the continued existence of an affordable home. Shared equity models employ subsidy retention by applying subsidies to permanent affordability restrictions. By tying programs that assist existing homeowners to shared equity strategies, a community can preserve the value of its investment in the home for generations.[10]

Methods

- **The CLT model may be used to bring existing owner-occupied homes into the trust**. By bringing their home into the trust, a homeowner can benefit from affordable homeownership subsidies used by the CLT on their homes. These subsidies can fund necessary renovation and repair on the home to improve the quality of life for the homeowner during their lifetime, while ensuring that their home will stay in their community and will be affordable to their neighbors long after they pass away or move on. In this case, the homeowner would sell the home to the CLT and sign a long-term lease that would last the length of the homeowner's life. The CLT would be responsible for paying costs and taxes associated with the home, ensuring the homeowner's ability to stay in the home affordably in later life. The homeowner benefits through the influx of funds into their home and the assurance of affordability for themselves while the CLT benefits from gaining a new home into the trust and ensuring that the home will not be lost by the community to developers after the homeowner's death.

Best Practices

- In order to preserve the homeowner's right to pass assets down to their heirs, **any use of shared equity homeownership with existing homeowners should explicitly preserve inheritance rights on the home.**

[10] A 2009 evaluation of the Chaplain Housing Trust found that without the subsidy retention strategy of the CLT, the public would have had to invest 5 times more capital into affordable homeownership in order to serve the same number of families as those that had been served by the CLT during the evaluation period.

Triangle J Council of Governments

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