

# King County Consortium Action Plan 2020

## Attachment C: Homeownership Program



<b>King County Consortium Recapture and Resale Programs</b>				
All ownership programs require a written agreement and a recorded lien on the home.				
<b>Recapture</b>	<b>House Key ARCH</b>	<b>HomeSight Revolving Loan Fund</b>	<b>House Key King County</b>	
Recapture is used in ownership programs that provide down payment assistance to buyers. Recapture means that at any point during the period of affordability, the original homebuyer may sell (voluntarily or involuntarily) the property, and the PJ will recapture all or a portion of the HOME assistance provided to the owner. The homeowner may sell the property to any willing buyer at any price.				
<b>Down payment assistance</b>	Recapture provisions apply to down payment assistance programs			
<b>New HOME funds or Program Income</b>	Loans are made with program income from recaptured HOME funds.			
<b>Administration</b>	Washington State Housing Finance Commission - sub recipient	HomeSight - sub recipient	Washington State Housing Finance Commission - sub recipient	
<b>Sale during period of affordability Period of Affordability</b>	Total loan amount is recaptured subject to available net proceeds. Net proceeds is defined as the sales price less any senior debt to the HOME loan and any actual reasonable costs of sale paid such as; escrow, recording or legal fees, real estate taxes and title insurance cost.			
<b>Principal residence</b>	Unit must be the principal residence of the homebuyer for the period of affordability.			
<b>Affordability</b>	HOME loan - 10 year affordability period up to 80% AMI (regardless of amount of the HOME funds awarded to each borrower)			
<b>Maximum loan amount</b>	\$10,000	\$35,000	\$20,000	
<b>Interest on HOME funds</b>	0%	4%	0%	
<b>Loan contact</b>	Dietrich Schmitz Washington State Housing Finance Commission 206-287-4459 dietrich.schmitz@wshfc.org	Tom Jacobi HomeSight 888-749-4663 Tom@homesightwa.org	Dietrich Schmitz Washington State Housing Finance Commission 206-287-4459 dietrich.schmitz@wshfc.org	
<b>Market area</b>	ARCH member cities*	South King County	South King County	
<b>Resale</b>	<b>Homestead Community Land Trust (HCLT)</b>	<b>Roseballen Community Land Trust (Vashon HouseHold)</b>	<b>La Fortuna III (Habitat for Humanity Seattle-King County)</b>	<b>Copper Lantern Estates</b>
Resale is used in ownership programs that are used to acquire land or to construct homes which will remain affordable over the long term. Resale means that if at any time during the period of affordability, the original homebuyer sells his/her property (either voluntarily or involuntarily), the property must be sold to another low-income homebuyer who will use the property as his/her principal residence and the original homebuyer will receive a fair return on his/her investment.				
<b>Development assistance</b>	Resale provisions apply to development assistance programs			
<b>New HOME funds or Program Income</b>	Resale programs are funded with new HOME funds.			
<b>Principal residence</b>	Unit must be the principal residence of the homebuyer for the period of affordability.			
<b>Administered by subrecipients or CHDO's</b>	Originally funded as a CHDO now a Subrecipient		Subrecipient	Resales administered by King County through A Regional Coalition for Housing
<b>Resale requirements limit homebuyers during HOME period of affordability</b>	Income-qualified homebuyers at or below 80% of Area Median Income	Income-qualified homebuyers at or below 80% of Area Median Income	Income-qualified homebuyers at or below 80% of Area Median Income.	Income-qualified homebuyers at or below 80% of Area Median Income
<b>Period of affordability</b>	15 year affordability period			
<b>Definition of Fair return</b>	Fair return is defined as a fair and reasonable method through the resale price formula.			
<b>Publically accessible index &amp; Objective Standard</b>	Based on set 1.5% annual increase	Consumer Price Index	Based on set 1.5% annual increase.	Average increase in HUD Area Median Income for King County plus 1/2 increase on average sales price
<b>Resale Formula</b>	Original purchase price increased by 1.5% annually plus capital improvements.	The resale formula price is based on the Consumer Price Index for Seattle-Bellevue SMSA up to a maximum of 3.5% compounded annually. Plus adjustments are made for capital improvements.	On each anniversary of the Original Closing Date, the Original Base Price shall be increased by one and one-half percent (1.5%) per annum.	Original purchase price plus an appreciation factor (based on the average increase in median household income for King County as determined by HUD and 1/2 of the increase in average sales price as determined by the MLS). Plus adjustments are made for capital improvements.
<b>Capital Improvements - King County Policy in general</b>	Capital improvement must increase the gross built living space of the home OR have a useful life of ten years or more, and must be built or installed subject to all required permits and approvals. Each HOME assisted program will set dollar-value threshold limits for qualifying capital improvements subject to approval by the County and must list items that will be allowed and how the value is calculated. Eligible capital improvement items may include the following: <u>initial landscaping on new construction with incomplete yards</u> , roof, siding, HVAC, water heater, foundation, water & sewer lines, electrical lines, plumbing lines, <u>windows and doors IF they improve energy performance</u> , decks, porches, sheds or garages.			
<b>Valuing Capital Improvements</b>	Improvements are valued based on depreciated cost plus 1.5% compounded annually from the time the capital improvement was approved	Improvements are valued based on the market value as determined by an appraisal.	Improvements are valued based on the lower of; the depreciated cost or ten percent (10%) of the Forumula Vaue of the property.	For improvements with an original cost of less than \$5,000 shall be valued on a straight line depreciation basis. For improvements that cost more than \$5,000 shall be valued at the appraised market value of the improvement.
<b>Range of low income buyers</b>	60% to 80% of AMI paying no more than 38% of household income towards principal, interest, taxes and insurance If homeowner dues or lease fees are required, the percentage may go up to 40%.	50% to 80% of AMI paying no more than 38% of household income towards principal, interest, taxes and insurance If homeowner dues or lease fees are required, the percentage may go up to 40%.	80% of AMI paying no more than 35% of household income towards principal, interest, taxes and insurance If homeowner dues or lease fees are required, the percentage may go up to 38%.	60% to 80% of AMI paying no more than 35% of household income towards principal, interest, taxes and insurance If homeowner dues or lease fees are required, the percentage may go up to 38%.
<b>Ensure continued affordability to subsequent buyers</b>	In all cases, in the event sales prices are not such that a fair return can be provided to the original homeowner, the County may provide additional HOME funds if available.			
<b>Non-Compliance</b>	If the original homebuyer no longer occupies the unit as his/her principal residence OR the home was sold during the period of affordability and the applicable resale/recapture provisions were not enforced, the HOME Fund must be repaid.			
<b>Submarket area</b>	South King County	Vashon Island	Renton	Kenmore
*ARCH Cities: Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, and Yarrow Point				