

December 16, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager

Subject: City Assistance to Support Homeownership & Analysis of a Loan Fund for Homeowner Repairs

202002025

REFERENCE DOCUMENT #202001394

Budget & Finance Committee at its meeting on September 14, 2020 referred the following item for review and report:

WE MOVE for the City Administration to deliver a report to City Council, outlining all current city government activities and programs aimed at promoting and enabling homeownership for low-income individuals and families in Cincinnati, along with an update on the impact and effectiveness of these activities. **WE FURTHER MOVE** for this report to include a feasibility analysis for providing low-income homeowners with forgivable loans to make necessary repairs and home improvements, such that the loan becomes forgivable (in full, or part) upon five (5) years of residing within the home. If such a program (or set of programs) already exists, we ask that the report outline in detail how the program(s) work, who the program(s) has served (e.g. by income-level, age, household size, and neighborhood), and recommendations for expanding such program(s) to increase impact. **WE FURTHER MOVE** for the city administration to identify funding sources that could be used to enable either the city, or a city partner organization, to complete small repairs for low-income homeowners, such that homeowners would be liable to pay back the cost of repairs on a sliding scale, depending on level of household income. Most middle-class families cannot come up with a one-time sum of \$20,000 for a new roof, for example, but could very well make important investments in their homes if granted the option to pay back the sum of repairs over time. **WE FURTHER MOVE** that this report be delivered to City Council within 14 days.

STATEMENT

This report will showcase the existing activities and programs of the City that promote and enable homeownership. Highlighted programs will include programs of general eligibility and those that are restricted to low-income families. The report will also discuss programs not currently funded by the City including a revolving loan fund to persons of higher income who are not eligible for current homeowner repair programs.

REVIEW OF EXISTING PROGRAMS FOR HOMEOWNERS: GENERAL ELIGIBILITY

Program of General Eligibility: Residential CRA

When a property owner builds a new home or invests in renovations, their property tax value can be increased by the Hamilton County Auditor resulting in higher annual tax payments. The City of Cincinnati's Residential Property Tax Abatement makes it possible for property owners to minimize the new taxes they pay when they choose to invest in new construction or renovations to properties within the City. While the Property Tax Abatement limits the increase in property taxes resulting from the new construction or renovation, the property owner continues to pay taxes on the pre-improvement value of their property during the property tax abatement term. At the end of the term of the tax abatement, the full value of the property as determined by the Hamilton County Auditor is subject to taxation, so the reduction in property tax value is of a limited duration and property owners will see an increase in annual taxes at the end of the abatement term. The term of the property tax abatement is determined by City policy but commonly between 10-15 years. During the abatement term, the savings in property taxes helps the homebuyer build up initial home equity by limiting what the homebuyer must pay annually on the property tax portion of their mortgage payment. This allows homeowners the option to make a larger home purchase or to pay down a mortgage faster. The faster paydown on a mortgage increases homeowner equity quicker which allows for several financial benefits such as refinance options or reduced need for Property Mortgage Insurance.

Program of General Eligibility: Notice of Funding Availability

The Department of Community & Economic Development Notice of Funding Availability (NOFA) loan program provides residential developers with gap financing for transformative housing projects that achieve *Plan Cincinnati's* goals to provide a full spectrum of healthy housing options, specifically to improve housing quality and affordability. The NOFA not only supports multifamily housing, it also supports the redevelopment and new construction of single-family housing for both low- and moderate-income homebuyers. Not including awards for infrastructure, since 2015, the NOFA program has awarded funding for the new construction and renovation of approximately 90 single-family homes, approximately 60% of which targeted households ranging from 80%-120% AMI. This represents an approximate \$5 million collective investment of City resources in single-family housing in neighborhoods like South Cumminsville, Madisonville, Evanston, Avondale, and others. In September this year, Habitat for Humanity of Greater Cincinnati was awarded funding through the NOFA Program to support their project in Lower Price Hill that will renovate and preserve five historic structures. These houses will be targeted towards homebuyers earning at or below 80% of the area median income. This development, similar to others before it, occurs in conjunction with several initiatives by local partners to eliminate blight, bring historic buildings back to productive use, and recharge the local market.

Program of General Eligibility (County-wide): Home Improvement Program (HIP)

Administered by the Hamilton County Department of Community Development, the HIP is an initiative of the Hamilton County Commissioners and the Hamilton County Treasurer. The "HIP" loan allows homeowners in Hamilton County communities to borrow money up to \$50,000 to repair or remodel their homes at interest rates 3% below the lowest rate a bank would normally offer. Loans may be used for:

- Bathrooms
- Decks
- Kitchen Remodeling
- Plumbing
- Ceilings & Walls
- Garages
- Landscaping
- Room Additions
- Central Air & Furnaces
- Gutters & Roofs
- Paint & Carpeting
- Siding, Windows & Doors

Program of General Eligibility (Neighborhood Specific): Avondale Home Improvement Program

The Avondale Home Improvement Program (AHIP), launched in 2014, is helping preserve homes, while improving the health and safety of the children and families who live in them.

Funded by Cincinnati Children's Hospital Medical Center and in partnership with the Uptown Consortium and the Avondale Development Corporation (ADC), families who live in designated areas of Avondale are eligible for forgivable home loans. Families can apply to AHIP for an interest-free home improvement loan of up to \$35,000. Loan recipients make no payments for five years and if they maintain residency in their homes for five years, the loan is forgiven.

REVIEW OF EXISTING PROGRAMS FOR HOMEOWNERS: INCOME RESTRICTED

Program of Income Restricted Eligibility: American Dream Down payment Initiative

The American Dream Down payment Initiative (ADDI) Program is designed to assist first-time homebuyers who want to purchase a home within the City of Cincinnati. Eligible Homebuyers may be awarded up to \$5,000 in the form of a five-year forgivable loan for a down payment and/or closing costs. To be eligible for ADDI assistance, individuals must be first-time homebuyers interested in purchasing a home within the City of Cincinnati limits. ADDI funds may be used to purchase a single-family home, condominium unit, cooperative unit, or manufactured housing. Additionally, households that qualify for ADDI assistance must have incomes that do not exceed 80% of area median income. ADDI funds may only be used for down payment and closing costs toward a home not to exceed \$5,000 or a range of four - five percent of the purchase price of the home, whichever is less. After a thorough review of the application, the City will determine the approved level of assistance for the subject household. ADDI funds are awarded as a five-year non-interest-bearing deferred loan payment with a five-year residency requirement. All or a portion of the funds will be recaptured in the event a homeowner moves from the residence or sells or transfers ownership during the five-year residency period.

Program of Income Restricted Eligibility: Housing Repair Services (HRS)

Housing Repair Services (HRS), formally called Housing Maintenance Services is administered by People Working Cooperatively (PWC) and the Max Construction Group (MCG). PWC is a non-profit organization that serves low-income, elderly, and disabled homeowners by providing professional, critical home repairs, weatherization, modification, and maintenance services to help residents stay safely in their homes. MCG is a construction management company specializing commercial and residential construction projects as well as historic renovations. The types of homeowner repairs under HRS are broken into three main categories that include: Emergency Repairs, Immediate Repairs, and Critical Repairs as described below.

Emergency Repairs. Homeowners may receive one uncertified Emergency Repair per year provided in the form of a grant to the homeowner. Emergency Repairs are, often by necessity, performed prior to client qualification of income. Following the Emergency Repair, the client will be evaluated and, if income eligible, scheduled for other programs and services offered. The allowable maximum estimated cost without City for an emergency repair is approval of \$2,500. Services will be limited to two emergencies per household per year. Emergency Repairs are those that are considered to pose an immediate threat to the client's well-being and require immediate attention. Emergencies are considered:

- Broken water lines where water is pouring, not dripping, out of the line;
- Client's only accessible toilet is stopped up or otherwise unusable;
- Presence of gas fumes;
- No heat;
- Lack of security, where first-floor doors or windows cannot be closed and secured;
- Existing air conditioning is not working during a heat emergency and there is a resident with health problems that could be complicated by the heat;

- Hot water is constantly running, not dripping, including water heaters;
- An electrical condition that poses a fire threat.

Other repairs that do not pose an immediate threat to a homeowner's well-being, but are considered emergency repairs in nature are:

- A leaking roof that is obviously causing ceiling damage, and, in the near future, might collapse;
- Crumbling or loose steps that, if not repaired, will collapse or cause a fall;
- An improperly secured toilet that is unstable when in use and might break loose from its seal, causing both water and sewage problems.

Immediate Repairs. This program addresses repairs of an emergency nature that exceed the \$2,500 limit. Generally, Immediate Repairs are expensive emergency repairs with the same need for immediate attention and same time frame as stated in the Emergency Repairs section. The average cost of an Immediate Repair is anticipated to be \$3,300 and services are limited to one Immediate Repair per year, unless otherwise approved provided by the Department of Community and Economic Development program manager. Immediate Repairs may include modifications and accessibility improvements for physically disabled individuals to improve accessibility to house and the homeowner's personal safety. Examples are wheelchair ramps, electric lifts, grab bars/handrails. All Immediate Repairs are provided in the form of grants to the homeowners.

Critical Repairs. This program addresses the critical home repair needs of eligible homeowners. It is not the purpose of the program to respond to all home repair needs of the homeowner, but only repairs critical to the safety of the client and the integrity of the home. The allowable maximum expense in this category without City approval is \$10,000. All Critical Repairs are made in the form of a grant to the homeowner. Only one Critical Repair project (which may include more than one Critical Repair) will be provided every other year, unless written approval is provided by the Department of Community and Economic Development program manager.

Eligibility for Critical Repairs are determined by PWC and MCG and the service limitations outlined in this paragraph shall include only those services provided to the eligible client by PWC and MCG, and shall specifically not include services provided by any other service provider. Critical Repairs will be classified as defects affecting the integrity of the structure or shell of the house. Examples include:

- leaking roofs and gutters that are the cause of structural damage;
- decayed and/or damaged siding;
- failing foundations;
- damaged or failed support beams

Eligible homeowners are homeowner occupants of property, not exceeding 3 dwelling units per building, of which one unit is occupied by the owner, within the boundaries of the City of Cincinnati for the neighborhoods referred to in the Area of Service. Homeowners meeting these criteria must qualify by income, which shall not exceed a maximum of 50 percent of the area median income (AMI) for the City, and by family size, as defined by HUD. In cases in which a Critical Repair exceeds \$10,000 AND City approval occurs, then the homeowner's income cannot exceed a maximum of 35 percent of the AMI and the homeowner must be 60 years old or older, or be disabled. As evidenced below, over the last four years the City has invested approximately \$8MM in the HRS program assisting approximately 5,500 homeowners.

Year	Funding Amount	Annual Goal	Actual
2015	\$1,689,655	1,100 units	1,263 units
2016	\$1,696,000	1,100 units	1,252 units
2017	\$1,541,000	1,100 units	1,176 units
2018	\$1,552,000	1,100 units	1,394 units
2019	\$1,700,000	1,100 units	483 units*

*Funds were contracted late due to a delayed award of funds from HUD

Program of Income Restricted Eligibility: Compliance Assistance Repairs for the Elderly (CARE)

Compliance Assistance Repairs for the Elderly (CARE) program is administered by the Cincinnati-Hamilton County Community Action Agency (CAA). CAA is a private, nonprofit organization that offers various services to low-income individuals and families in a holistic approach to help lift them out of poverty. Among the services they provide are homeowner repairs. The CARE program provides home repairs for low-income elderly and/or disabled homeowners. The services allow owner-occupants to comply with notices of violations by assisting with the required repairs, and in cases of significant building issues affecting the health or safety of the occupants, enabling owners to stay in their homes.

The CARE program focuses within the Neighborhood Enhancement Program (NEP) areas, current and former. NEP is a City community partnership that focuses on certain areas of specific neighborhoods to help improve the quality of life. Low-income elderly and disabled owners situated in NEP areas receiving notice of building code violations may find it difficult to make the required repairs. CARE provides relief to the homeowners and neighbors as exterior repairs are corrected. If no qualified candidates in need of assistance are identified in the NEP areas, funding can be spent outside of NEP areas with written consent from the City.

CARE is an exterior repair program meant to address code violations issued pursuant to the NEP, "house to house" exterior property condition inspection. CARE services are limited to per household and are offered as a grant. Owner occupants meeting the age or disability and income requirements and receiving notice of code violations from the City of Cincinnati, receive repair services to correct the exterior code violations identified in the notice such as a leaking roof; dilapidated porch; unsafe stairs; defective siding; painting and similar repairs required under the Cincinnati Housing Code. It is not the purpose of the program to respond to all home repair needs of the homeowner, but only the exterior NEP code violations on the home and other limited code violation correction work approved by the Code Enforcement Division Manager. If funding limitations do not cover all code violation corrections on a home, CAA managers and Code Enforcement Inspectors will determine which repairs are most critical and prioritize the work based first on Health, Safety and Welfare and then cost etc. If a building is deemed to be "beyond repair," the case shall be reported to the Code Enforcement Division Manager. "Beyond repair" means that the exterior repairs required are so costly and/or the building so dilapidated it cannot be restored to code compliant status without expending more funds than economically reasonable, considering the after-repair value of the home, the owners' circumstances, and associated housing health, safety and welfare, concerns. Repairs costs are capped at \$10,000. Anything higher under consideration would need special approval of the City.

Eligible homeowners must occupy the property; the property must not exceed 3 dwelling units per building, of which one unit is occupied by the owner; and must be located within the boundaries of the City of Cincinnati and the neighborhoods referred to in the NEP Area of Service. Homeowners meeting the eligibility criteria must also qualify by income: the homeowner's income cannot exceed a maximum of 80 percent of the area median income for the City as defined by HUD and must be 60 years of age or older or be disabled.

The City has invested approximately \$800,000 in the CARE program since 2015 and has assisted approximately 95 low income elderly/disabled homeowners.

Year	Funding Amount	Annual Goal	Actual
2015	\$129,970	12 units	20 units
2016	\$156,000	12 units	22 units
2017	\$143,000	12 units	18 units
2018	\$155,000	12 units	21 Units
2019	\$190,000	12 units	13 units

Program of Income Restricted Eligibility: Homeowner Assistance Repairs and Building Order Remission (HARBOR)

In the FY 2018-19 Biennial Budget, \$400,000 was dedicated to the establishment of a pilot program that will provide financial assistance to low-income, owner-occupied homeowners that receive code violations on their property. The Homeowner Assistance Repairs and Building Order Remission (HARBOR) was created. Administered out of the Department of Building and Inspections (B&I), HARBOR has a goal to create a safe harbor for homeowners in need of repairs to correct code violations. Through a Request for Proposal, People Working Cooperatively (PWC) was selected to perform services under the program.

Each year, B&I re-issues existing cases and receives complaints wherein properties are or are believed to be in violation of building, housing, or zoning ordinances. Additionally, through concentrated code enforcement, a number of proactive inspections are performed annually. This is primarily completed through the Neighborhood Enhancement Program (NEP). Through these combined efforts, approximately 5,000 orders are issued annually. Of those 1,750 or 35% are issued to owner-occupied properties.

On average, 85% of owner-occupied orders are resolved through voluntary compliance. For those who do not positively respond to orders, their reason typically falls into two categories or a combination thereof. One is that the code should not apply to them, and the second is that they do not have the financial resources to correct the problem(s).

To be eligible for the HARBOR program, a homeowner must be under the 80% HUD income limit. A homeowner can be granted up to \$15,000 for repairs. The goal is to assist approximately 23 homeowners with the available funds. Each applicant is triaged by PWC through a variety of available financial assistance programs prior to being approved for HARBOR funds. If the applicant does not qualify for other available programs or if other available programs do not cover the total repair cost, then the applicant is eligible for available HARBOR funds.

If an individual is above the 80% limit, the owner could still qualify upon review and approval of the Harbor Applicant Review Tribunal (HART). HART is appointed by the Director of B&I and upon the recommendation of HART, a homeowner may be approved for HARBOR if HART were to determine that an owner could not make necessary repairs in a reasonable period of time due to financial hardship resulting from instances, such as:

- serious illness or accident of the owner, the owner's spouse, or owner's dependent;
- funeral expense of the owner's spouse or dependent;
- uninsured natural disaster damage;
- recent change in employment resulting in >15% lower income;
- or similar extraordinary and/or unforeseeable circumstances arising as results of events beyond the control of the owner that have resulted in reduced financial circumstances, hardship causing inability to make repairs without assistance.

Moreover, it must be determined that allowing the property's violations to remain for an extended period while the owner saves for repairs will not present public safety issues and will not be detrimental to the neighborhood.

Without the HARBOR program, a significant number of owner occupants, who want to abate code violations that cause unsafe conditions and blight, will find repairs impossible for lack of financial resources and ability. Thus, property values and the quality of life of neighbors will be negatively impacted on otherwise healthy streets. The proposed HARBOR program has the potential to be a tremendous resource to address the gap in repair options for owner occupants to abate code violations that harm our City. Through this program, long standing blight and safety hazards can be eliminated, and homeowners in hardship will again be able to contribute to their street and neighborhood, while protecting their own home investment and personal safety. Below is the current HARBOR funding status and total.

Status	Number of Homeowners	Total Cost
Job Complete	17	\$329,316
In Process	4	est. \$70,684
Delivery Cost	(17.5%)	
TOTAL	21	\$400,000

* There are presently over 194 potential low-mod income homeowner occupants who were referred to the HARBOR program. Over 160 of these applicants will not receive HARBOR assistance with substandard housing conditions due to lack of funding.

In general terms, a revolving loan fund is an arrangement which allows for a loan amount to be withdrawn, repaid, and redrawn again any number of times, until the arrangement expires. The City could establish a revolving loan fund for low- and moderate-income homeowners from an identified source or sources. However, the City has had a storied history in creating and overseeing similar loan funds in the past which led to years of litigation and financial settlement from the City.

If a funding source is identified and a loan fund is to be established, the City should issue an RFP to select a third party administrator for this loan fund. Potential third party administrators could include local non-profits involving in similar activities and existing for-profit lenders. The City would establish the general parameters of the loan fund based on the restrictions of the identified funding source and the third-party administrator would administer the fund and the loans originated from the fund.

Funding Sources: Federal CDBG entitlement grant is a potential source and could be utilized to benefit households at or below 80% of AMI. Note that funding this program would require an increase to the entitlement grant available for the year or a proportional cut to other existing City programs funded with CDBG.

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