

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: November 7, 2017

TO: Gregory A. Sundstrom
City Manager

FROM: Connie M. Bohatch, Managing Director
Community Services



SUBJECT: Housing Advisory Committee Recommendation #2 – Provide Incentives for Homeownership

The Housing Advisory Committee recommended the City provide incentives for homeownership. Discussion centered on increasing homeownership rates, increasing personal wealth over time, and reducing the number of vacant homes in neighborhoods. Recognizing that access to down payment assistance is a critical tool for low- and moderate-income individuals and families to become homeowners, the Committee desired to expand those opportunities.

Established under City Commission Policy 900-35, the Homebuyer Assistance Fund (HAF) provides up to \$5,000 of down payment and closing cost assistance to households with incomes at or below 80% of the area median income for homes purchased within the Community Development General Target Area (GTA). Created in 1996, the policy primarily intended to increase homeownership opportunities for low/mod-income households. The geographic requirement served an ancillary purpose of improving the balance between rental and owner-occupied housing in the GTA, and increasing neighborhood investment.

Attached please find an amended policy that enhances the HAF program as follows:

- Specifies the purpose is to *increase homeownership opportunities and promote housing choice*, rather than just providing financial assistance to eligible homebuyers.
- Eliminates the requirement that the home for purchase must be in the GTA to allow purchases city wide.
- Clarifies the residential zoning requirement to include mixed-use structures.
- Clarifies the occupancy status to affirm that an existing tenant can purchase the home.

- Eliminates use of the term *first-time homebuyer* to more accurately describe eligible applicants as those who have not owned a home within the last three years.
- Increases the maximum loan amount from \$5,000 to \$7,500.
- Increases the household asset ceiling for income eligibility from \$5,000 to \$10,000.
- Eliminates specific references to federal program requirements, to the extent possible, to allow for use of other funding sources such as the Affordable Housing Fund.

This Policy is not intended for employees, as State law prohibits a City employee from entering into a contract with the public entity with which he or she is employed. City Commission Policy 600-06 provides homeownership incentives for employees.