

Clover Ridge Owner-Occupied Housing TIF District **Policy for Owner-Occupied Housing Assistance**

The creation of the Clover Ridge neighborhood has been marked from its conception as being a unique neighborhood, trying to address many of the components of what the City of Chaska feels are necessary to create a great community. Besides creating a defined place, with walkable streets, a neighborhood center, and opportunities for residents to gather together, the Clover Ridge neighborhood has also been unique in that it has addressed the idea of economic diversity as a necessary component of a great community. While the Clover Ridge neighborhood incorporates many of the traditional suburban homes, the idea of incorporating affordability has been a major objective of this neighborhood, as there have been a mixture of housing styles and types scattered throughout the entire development. With the average new home price in Chaska reaching \$275,000, the average existing home price reaching \$175,000, and the Carver County Median Income for a family of four being \$76,400, the idea of being able to own a home in Chaska has become difficult for many of our average-income individuals and families.

While achieving affordability in the Clover Ridge Neighborhood was not the only objective in developing this neighborhood, it was an objective that was very important for the City to achieve if we wanted to provide Chaska with the opportunity to continue to maintain its economic diversity. The idea of maintaining economic diversity, and creating a stock of workforce housing throughout the City, has been a necessary element of continuing to make Chaska a great community. The Clover Ridge Neighborhood has been a unique development, in that it is the first development we have seen in Chaska in a number of years that has created over 40% of the homes at a price under \$200,000. This has had the effect of providing opportunities to individuals and families to own a home, where many would only have had the opportunity to rent in the community before. This neighborhood has helped promote the creation of workforce housing in Chaska, allowing a greater market of individuals the ability to live in our community. This has been a major objective many other suburban communities have not been able to achieve.

Despite the success we have seen achieving this affordability objective in the Clover Ridge neighborhood, the City of Chaska still feels there are untapped opportunities to achieve a greater level of affordability in this neighborhood, and broaden the market of individuals and families that could potentially afford to purchase a home in the City of Chaska. The City also feels that there are untapped opportunities to create resources from this neighborhood that could greatly enhance the City's ability to create other affordable housing opportunities throughout the community. For this reason, the City of Chaska recently created Tax Increment Financing District #12. This district was primarily created to generate resources to provide assistance for owner-occupied units in the Clover Ridge Neighborhood, and to open the opportunity for a wider economic range of individuals to be able to afford to live in these units.

Objectives of Owner-Occupied Housing Assistance

In creating owner-occupied assistance opportunities in the Clover Ridge Neighborhood, the City of Chaska established the following objectives:

1. Promote the creation of a stock of workforce housing, allowing a greater market of individuals to be able to live and work in the community.
2. Help stabilize the affordable housing availability by increasing the stock of homes in the community affordable to individuals and families earning between 50-115% of the Carver County Median Income.
3. Provide assistance that would create either permanent affordability of a unit, or a permanent source of revolving funds to provide assistance to these properties in future years (avoid creating only a one-time benefit for assistance provided)
4. Create financial resources that can be used to help fund Chaska's Affordable Housing "Toolbox" (Chaska Housing Trust Fund) to be used for other affordable housing projects throughout the City
5. Provide assistance to a maximum number of Community Land Trust properties, while meeting the objective of not clustering land trust properties in one geographic area
6. Provide assistance to individuals on a sliding scale, providing the greatest amount of assistance to those with the lowest incomes.

When identifying potential sources of assistance that could be provided to residents in this neighborhood, the City of Chaska was trying to identify the largest obstacles to those who could potentially purchase a home in this neighborhood. While many families with low-incomes see the actual price-point of a unit as the obstacle to purchasing a home, many other families simply see the up-front costs of a home (down payment and closing costs) as being the major obstacle between them and home ownership. Recognizing that obstacles for home ownership differ depending on economic conditions of a family (especially when targeting individuals earning between 50-80% of the median income), the City of Chaska felt that it was important to diversify the type of assistance we provide to potential residents of this neighborhood, providing more assistance to those who need it the most.

Types of Owner-Occupied Assistance

For this reason, the City of Chaska has established a three-tiered, owner occupied housing assistance program. Using the Met Council's definition of an affordable housing unit in the Twin Cities Metropolitan Area, and recognizing that tax increment assistance can be provided to those individuals and families earning up to 115% of the area median income (able to own approximately a \$225,000 home) for a family of three or more, and 100% of the area median income for a family of two or less, the City of Chaska is offering the following three programs to qualified individuals within the Clover Ridge neighborhood:

1. \$5,000 down payment/closing cost assistance for homes under \$183,000, housing individuals earning between 50-80% of the Carver County Median Income
2. \$2,000 down payment/closing costs assistance for homes between \$183,000-\$225,000, and housing individuals earning between 80-115% of the Median Income. If the family is a family of 2 or less, they can only earn up to 100% of the Median Income.

3. Purchase of up to 34 single family detached or townhome parcels of land, to be deeded to the Chaska Community Land Trust, housing individuals earning below 80% of the Carver County Median Income. The number of land trust lots purchased will be entirely dependent on the number of homes that are able to utilize the down payment/closing cost assistance. At a minimum, a parcel will not be purchased for the Chaska Community Land Trust until five other homes (totaled by the City between both Developments) has applied for, qualified, and received the down payment/closing cost assistance listed above. The City of Chaska will target purchasing lots for the Community Land Trust that has a total sales price (lot and home) of \$200,000 or less. Any Community Land Trust lot purchased must be a single-family detached home, or a town home in which we are capable of owning the land under each individual home (cannot be a condo). The homebuilder for these lots will continue to be the developer from whom we purchased the lot.

The program income limits are attached at the end of this policy. It should be noted that while family income is determined by the number of people in a household, those with 4 or less people in a household will have the same income limits.

Each of these assistance levels provides either permanent affordability of housing units, or a permanent source of funds to provide this program to future housing units. The Community Land Trust properties will achieve permanent affordability through restrictions on the resale price of the homes, and the down payment/closing cost assistance will be set up as a low-interest, deferred loan, that will be payable to the City upon the resale of any assisted unit. The closing cost/down payment assistance will have a 3% interest rate that will accrue annually over the life of the assistance (until resale of the home). Any recycled funds, or excess tax increment generated out of this district will be put into the Chaska Housing Trust Fund, which will be used to create future affordability both in the Clover Ridge Neighborhood, and throughout the City of Chaska.

Criteria for Assistance:

The criteria for assistance in this program is based both on the purchase price of the home, and the income of the individual or family purchasing the home. The income qualifications will be based on income limits updated by the City of Chaska on an annual basis. The City of Chaska will require that the following criteria be met in order for any individual to receive assistance through this program:

\$5,000 Down Payment/Closing Cost Assistance:

- An individual or family must earn a combined income of less than 80% of the Carver County Median Income
- The home must have a purchase price (at closing) not exceeding \$183,000
- The purchaser of the home must be willing to release individual and family income information, along with purchase price of the home, for verification by City (see attached income verification sheet).
- The purchaser of the home must be willing to sign into a second mortgage, which will guarantee the repayment of this assistance at the time of resale (between EDA and buyer).

\$2,000 Down Payment/Closing Cost Assistance:

- An individual or family must earn a combined family income of between 80-115% of the Carver County Median Income. If it is a family of 2 or less, they will need to earn 100% or less of the Carver County Median Income.
- The home must have a purchase price (at closing) not to exceed \$225,000
- The purchaser of the home must be willing to release individual and family income information, along with the purchase price of the home, for verification by the City (see attached income verification sheet).
- The purchaser of the home must be willing to sign into a second mortgage, which will guarantee the repayment of this assistance at the time of resale (between EDA and buyer)

Community Land Trust Parcel:

- An individual or family must earn a combined income of less than 80% of the Carver County Median Income.
- The purchaser must be willing to follow the requirements of the Chaska Community Land Trust. This will include being approved for a mortgage, signing into a ground lease, fulfilling mandatory education courses etc...)
- The purchaser of the home must be willing to release individual and family income information, for verification by the Chaska Community Land Trust.

Instructions for Use of Assistance:

1. Developer provides marketing information to interested buyers explaining potential owner-occupied assistance available, including assistance through the land trust
2. If buyer is interested in applying for assistance, and the potential home being purchased falls within the purchase price requirements laid out in this program, the developer must have the purchaser fill out the preliminary income verification sheet, provide backup data proving income, and sign the preliminary income verification sheet for authenticity. (Purchaser should be aware that assistance is based on final sales price and income at the time of closing. Also, assistance is subject to immediate repayment if income verification information is deemed inaccurate)
3. After the Developer receives the preliminary income verification sheet from the potential homebuyer, the Developer should forward this sheet to the City, including any necessary attachments to the preliminary income verification sheet, and the scheduled date for closing.
4. After the City has reviewed the preliminary income verification sheet and has determined if the homeowner would qualify for assistance, the City will forward a offer letter to the Developer, along with a draft of the second mortgage agreement. The Developer may make an offer of assistance to the Purchaser, based on their income and the anticipated purchase price of the home remaining the same at the time of closing.
5. Three weeks before the scheduled closing, the Developer will need to fill out the final income verification sheet, with required attached pay stubs, final purchase agreement, and current tax returns. This information will need to immediately be forwarded to the City.
6. After reviewing the final income verification sheet and verifying no change in income or housing price status has occurred, the City will process payment, writing a check made out to the title company to be cashed as part of the closing. This check will be forwarded to the title company before the scheduled closing, along with the final copy of the second mortgage agreement.

7. At the time of closing, the Developer must have the homeowner sign into the second mortgage agreement with City of Chaska.* This second mortgage agreement must be recorded against the property at the Carver County Recorder's Office with the other closing documents.
8. The Developer should immediately (after closing) submit the executed second mortgage document (with proof of recording), along with the HUD forms indicating final sale price of the home to the City of Chaska.
9. The homeowner will have no repayment on this closing cost/down payment assistance while they live in that home. The assistance will be deferred until the time of resale or refinance of the home, and will accrue a 3% annual interest each year the homeowner lives in this home. A title search at the time of resale will trigger the repayment of this assistance. A homeowner may prepay the repayment of this assistance before a closing or refinance of the unit, with no penalty except for the accrued interest on the assistance.

* The Developer agrees to take responsibility for verifying the income of the individual homeowner. If the Developer allows the purchaser to sign into a second mortgage agreement after having reasonable knowledge that income requirements have not been met at closing, the Developer will take complete responsibility for the payment of down payment/closing cost assistance promised to homeowner. If the homeowner provides inaccurate information to the Developer, the 2nd mortgage agreement will require immediate repayment of all assistance paid.

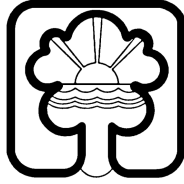
Requirements of the Developer:

The success of this program is dependent upon the Developer providing correct information to, and retrieving correct information from, the Purchaser of each home. The success of the assistance program is also dependent upon a working relationship between the Developer of the units, and the City. For this reason, the following will be the requirement of the Developers in providing this assistance to the residents of their neighborhood:

1. The Developer must provide all income verification sheets to the City in order for purchaser to receive assistance. This information must be provided in a timely matter in order for process to work
2. The Developer needs to place visible signage in their model center marketing the existence of this down payment/closing costs assistance. Producing this signage will be the responsibility of the Developer.
3. The Developer must display the marketing materials for the Chaska Community Land Trust program, and must keep a list of potential buyers that may qualify and be interested in the Community Land Trust program. This list must be forwarded to the CCLT on a regular basis.

**Clover Ridge Owner-Occupied Program Housing Limits
2004 Program Income Limits**

	<u>4 or less Persons</u>	<u>5 Person</u>	<u>6 Person</u>	<u>7 Person</u>	<u>8 Person</u>
50%	\$38,350	\$41,400	\$44,500	\$47,550	\$50,600
80%	\$61,100	\$66,000	\$70,900	\$75,800	\$80,700
100%	\$76,400	\$82,500	\$88,700	\$94,800	\$100,900
115%	\$82,650	\$89,250	\$95,900	\$102,500	\$109,100



City of Chaska
Preliminary Income Verification Sheet
Clover Ridge Owner-Occupied Assistance

1. **Name of Mortgagee(s)**

2. **Name of Mortgagee Dependents in Home**

3. **Address of Purchased Home**

4. **Purchase Price of Unit (defined in the Purchase Agreement)**

5. **Combined Family Annual Income (must provide proof of income through previous year tax filing information and through two current pay stubs for each income earner in the family. The developer must also provide a copy of the executed purchase agreement)**

6. **Type of assistance applying for from the City of Chaska (please see criteria for assistance)**

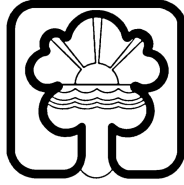
_____ \$5,000 Down Payment/Closing Cost

_____ \$2,000 Down Payment/Closing Cost

7. **Name of Lending Institution, lender's name, address and phone number of lender** _____ -

I, _____ hereby certify that the information provided above is accurate, and is complete to the best of my knowledge. If any part of the above information is incorrect, I understand that any assistance provided by the City under the Owner-Occupied Assistance Program, will need to be immediately repaid to the City upon discovery of information. By signing this statement, I am also allowing a representative from the City of Chaska to view this information, and keep a copy of this information on file at City Hall.

Mortgagee



**City of Chaska
Final Income Verification Sheet
Clover Ridge Owner-Occupied Assistance**

1. Name of Mortgagee(s)

2. Name of Mortgagee Dependents in Home

3. Address of Purchased Home

4. Purchase Price of Unit (defined in the Purchase Agreement)

5. Combined Family Annual Income (must provide proof of income through previous year tax filing information and through two current pay stubs for each income earner in the family. The Developer must also provide HUD documents signed at closing indicating final purchase price of the home)

6. Type of assistance applying for from the City of Chaska (please see criteria for assistance)

_____ \$5,000 Down Payment/Closing Cost

_____ \$2,000 Down Payment/Closing Cost

I, _____ hereby certify that the information provided above is accurate, and is complete to the best of my knowledge. If any part of the above information is incorrect, I understand that any assistance provided by the City under the Owner-Occupied Assistance Program, will need to be immediately repaid to the City upon discovery of information. By signing this statement, I am also allowing a representative from the City of Chaska to view this information, and keep a copy of this information on file at City Hall.

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