



Tenants to Homeowners, Inc.
The Lawrence Community Housing Trust Program
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City Manager's Office
PO Box 178
Lawrence, KS 66044

To the City Commissioners and City Staff,

I am writing this letter at the request of Bob Schumm. In an effort to address the need to increase affordable housing, we as a community are working hard to find creative partnerships to enable developers (for profit and not-for-profit) to build and thus disperse modestly priced units throughout Lawrence. The proposed Vermont Place Project could be an excellent example of this type of needed partnership. As it is proposed currently, it will be developed into 11 ownership condo units. We would consider it creating affordable housing if 1 of these units could be offered at an "affordable price" which would be defined as a price that is affordable for the appropriate household size making 70% of Median Family Income allowing mortgage, interest, taxes, insurance, lease fee and homeowner's association fee to be no more than 30% of monthly gross.

Example: A household of 1 making 70% of MFI in 2016 would make \$36,610. This means they would have a monthly gross of \$3,050, so 30% would be \$915. The total housing cost could not be more than \$915. Our lease fee is \$25 per month. If the HOA fee for this unit is \$100 that would leave \$790 for taxes, insurance and mortgage. Using a 1.3% (\$139/mo) for taxes and \$480/year (\$40/mo) for condo insurance, that leaves \$611 for principal and interest. Using a 4% IR that would finance \$128,000.

The city could allow the LCHT Program to approve the "affordable price" using this type of formula. We know there will be variables in income guidelines, property taxes, insurance prices and interest rates. The builder would control price and initial HOA fees to make sure the property was affordable initially. So the builder would insure that the price and HOA fees would allow for someone in this target market. The city may create a policy on when and how that price would be approved, but it makes sense that TTH could help with that process and ensure that sales prices meet targeted incomes. The LCHT Program would find an eligible buyer within their program parameters (no guaranteed timeframe) and would require deed restrictions and covenants that the LCHT Program would steward to ensure the subsidy would be retained and recycled buyer after buyer using the LCHT Program restricted resale formula. In this way, TTH would provide required pre-purchase education and post-purchase support as well as participating lenders to help all buyers who purchase the property over time.

Example: The market value of the condo is \$175,000. The initial LCHT sale price of the



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unit is \$128,000. The difference, or \$47,000 is the affordable subsidy that would be stewarded by the trust to ensure that this subsidy is locked into the property permanently. LCHT buyers get their original purchase price plus 25% of market appreciation over the time they live there. In the first resale, if the market value is now \$200,000, the maximum resale price would be \$134,250 ($128,000 + \$6,250$ (25% of appreciated value)). Tenants to Homeowners, Inc. would manage this transaction and ensure affordability is maintained. In a condo situation, TTH uses an affordability covenant and a second deferred mortgage that protects the subsidy in all LCHT properties stewarded by the organization. That subsidy value can be "donated" to TTH, evidenced by the second deferred mortgage that lowers the price to the initial buyer, and that amount would be tax deductible to the developer as a donation to the 501(c)3 organization.

In conclusion, if the developer would subsidize the initial price, TTH would find a buyer and when the developer sells it to the eligible buyer, TTH would simultaneously put on deed restrictions or take title to the land (in the case of a lot). Eligible buyers would have to agree to the terms of the LCHT purchase; terms that are the only example in Lawrence that maintain affordability of ownership units in perpetuity. If the commission wants to ensure that incentives truly create long term affordable housing, the LCHT Program is a great way to steward that subsidy. A new entity does not need to be created to ensure that the ownership housing is affordable or lasting, eliminating additional administrative work by the city or the developer, who may not want to be involved after units are sold. TTH could be the third party steward and suggests that the city incentive agreement outline the affordable formula and require the subsidized price be approved by TTH at initial sale. TTH would then put deed restrictions on it to ensure it stays affordable buyer after buyer. TTH could provide any information on this unit required of the developer at the cost of the developer, but this cost would be reasonable considering our organization has the capacity to require income verification and long term subsidy stewardship already. The organization also ensures that purchasers have support, maintenance escrows and other aspects that make the development more stable homebuyer education, post-purchase and sustainable. We applaud this project for being one of the first to show how affordable housing can be implemented into a development for the benefit of all, and we encourage the city commission to support projects like these that agree to a mixed income development. I strongly suggest the commission specifically define affordability and the requirement of TTH's participation in stewarding these units over time if they want to limit incentives to those projects that create permanently affordable housing. If this project can provide a price that meets the targets above, we are happy to steward the unit.

Sincerely,


Rebecca Buford
Executive Director, TTH, Inc.