



# **City of Key West**

## **Local Housing Assistance Plan**

## **PROGRAM DESCRIPTION**

### **A. Name of the participating local government:**

City of Key West

### **B. Purpose of the program:**

Creation of the City of Key West Local Housing Assistance Plan (the Plan) is for the purpose of meeting the housing needs of workforce households, to expand production of and preserve affordable housing, and to further the housing element of the local government comprehensive plan specific to affordable housing. The Plan's initial strategy is the Homebuyer Assistance Program. However, it is the intent to expand this Plan with additional strategies as they are funded and implemented.

### **C. Plan Term:**

The City of Key West Local Housing Assistance Plan will run continually without interruption. Any amendments to the plan will be presented to the Commission for approval before implementation.

### **D. Governance for Programs:**

The governance of all housing assistance programs for the City of Key West is established in accordance with Subpart A – General Ordinances, Chapter 2 – Administration, Article VII – Financial Matters, Division I – Generally under the following Sections of the City Code:

Section 2-708 - Homebuyer Assistance Program

Section 2-707 Move-in Assistance Program

### **E. Local Housing Partnership:**

The Plan encourages active partnerships between government, private business, lenders, builders and developers, real estate professionals and advocates for workforce housing.

### **F. Leveraging:**

The Plan increases the availability of affordable residential units by combining local resources and cost saving measures into a local housing partnership and using public and private funds to reduce the cost of housing.

**G. Advertising and Outreach:**

The City or its administrative representative shall advertise the notice of funding availability in a newspaper of general circulation and periodicals serving ethnic and diverse neighborhoods, at least 30 days before the beginning of the application period. If no funding is available due to a waiting list, no notice of funding availability is required. The Homebuyers Assistance Program shall be administered on a pre-approval basis. After a person is pre-approved as eligible, he or she will be issued an award letter.

Funding requests for all programs will be submitted to the Finance Department by Community Development Office staff. The additional approval of the Director of Housing and Community Development will be required for all applications for all programs prior to the expenditure of program funds.

**H. Discrimination:**

In compliance with applicable City of Key West Code, it is unlawful to discriminate based on race, creed, religion, color, age, sex, marital status, familial status, sexual orientation, national origin, or handicap in the award / application process for eligible housing.

**I. Support Services and Counseling:**

Available support services may include but are not limited to: Homeownership Counseling (Pre and Post), Credit Counseling Interested participants must attend a program sponsored Homeownership / Credit Counseling Seminar as available prior to release of funds for closing.

**J. Purchase Price Limits:**

The maximum purchase price of any newly constructed or existing residential unit may not exceed six and one-half (6.5) times the Annual Median Income for Monroe County as published by the U.S. Department of Housing and Urban Development (HUD) annually.

**K. Income Limits and Affordability:**

The Income Limits used in the Program are updated annually by the U.S. Department of Housing and Urban Development (HUD). Affordable means monthly mortgage payments, including taxes and insurance, that does not exceed 30 percent of the median annual gross income for the household size. However, it is not the intent to limit an individual household's ability to devote more than 30% of its income for housing. If a household is identified that devotes more than 30% of its income towards housing costs, it will be deemed affordable if the first institutional mortgage lender is satisfied that the household can afford mortgage payments in excess of the 30% benchmark.

## **STRATEGY:**

### **Homebuyer Assistance Program:**

#### **Summary of the Strategy:**

Funding assistance is for the purchase or construction of single-family residential property, including condominiums or townhouses. Mobile home purchases are excluded.

#### **Maximum Income to be served:**

Households up to 140% of the Monroe County Median Income adjusted for family size.

#### **Maximum Award:**

Mortgage loan not to exceed \$20,000. The eligible person shall execute a promissory note and mortgage for the repayment of the loan. The mortgage shall include standard provisions for enforcement of the terms and conditions contained in the mortgage, including judicial remedies.

Funding will be in the form of a second mortgage and lien position on the property. If the property purchase receives State or Federal program funding that requires a priority lien position, the City of Key West Homebuyers Assistance Second Mortgage may be subordinate to the State or Federal lien.

#### **Terms, Recapture and Default:**

Mortgage loans will be a deferred payment loan for a period of thirty (30) years with zero % interest. The loan will be due and payable in full upon sale or transfer of the property, failure to comply with the terms of the mortgage or death of the last surviving homeowner.

In the event of the death of the last surviving homeowner, any income eligible heir residing in the home may assume the Loan as long as they can obtain title to the entire property within one (1) year of the death of the last surviving homeowner and the first mortgagee consents to the assumption of their loan.

Once a mortgage has reached the maturity date of 30 years, without default, it will be fully forgiven.

### **Eligibility Requirements:**

1. Applicants must derive at least 70% of their income from gainful employment with a business that holds a valid City of Key West Business Tax Receipt (BTR) to be engaged in business in the City of Key West.
2. Dwelling unit must be located in the lower keys (MM 0 - MM 33 in Big Pine).
3. Applicants may not own a second home.
4. Applicants' assets will be calculated in determining income as defined in in 24 CFR Subpart F Sections 5.603 and 5.609.
5. At the time of purchase, the total household income shall not exceed 140 percent of the median income for Monroe County adjusted for family size.
6. Dwelling unit purchased must be owner occupied.

### **Recipient Selection Criteria:**

Funds are available for commitment to individual applicants who have valid contracts for purchase for eligible homes and secured a fixed rate or an adjustable rate with the first five years fixed first mortgage (no reverse or interest only mortgages will be considered) on a "first come / first ready basis". Applicants previously assisted by the Homebuyers Assistance Program are ineligible.

Applicants who have been determined to be income eligible for program assistance will be placed on a waiting list and receive assistance on a first come, first ready basis. Applicants may submit a completed application to the Community Development Office at any time unless the waiting list is closed or until funding is expended.

### **Additional Information:**

Applicants must conduct an independent private Home Inspection by a State Liscenced inspector. A copy of the inspection must be submitted to the City of Key West Community Development office. Applicant will sign an acknowledgment that they have read and understand the inspection and will hold the City of Key West harmless from any deficiencies that are identified in the report.

In the case of new construction, a Certificate of Occupancy (CO) may be substituted for the Home Inspection, but buyer is still required to sign an

acknowledgement.

**Shared Appreciation Provision:**

All funds under this program are subject to a mortgage that shall contain recapture provisions which provides for shared appreciation between the buyer(s) and the City of Key West Homebuyers Assistance Program. The amount due the City of Key West upon sale or transfer of the property shall be calculated by adding the sum of the principal balance of the loan and a percentage of the appreciated value pursuant to the Shared Appreciation Scale below.

The appreciated value shall be the difference between the original purchase price and the sales price less any real estate commission and less the value of any permitted improvements. Housing units constructed utilizing Affordable Housing Permits which restrict appreciation in the housing unit's value, shall not be subject to the Shared Appreciation Provision.

Shared Appreciation Scale

Year Sold

1<sup>st</sup>

2<sup>nd</sup>

3<sup>rd</sup>

4<sup>th</sup>

5<sup>th</sup>

6<sup>th</sup>

7<sup>th</sup>

8<sup>th</sup>

9<sup>th</sup>

10<sup>th</sup>

11<sup>th</sup> +

## **STRATEGY:**

### **Move In Assistance Program:**

#### **Summary of the Strategy:**

To assist eligible persons to obtain loans in order to become renters of residential housing in Key West and reduce barriers for persons in search of rental housing.

#### **Maximum Income to be served:**

Households up to 140% of the Monroe County Median Income adjusted for family size.

#### **Maximum Loan Amount:**

The maximum amount of any loan shall not exceed the total of the last month's rent and security deposit as required by the lease agreement. Eligible applicants will execute a promissory note for repayment of the loan. The note will include standard provisions for enforcement of the terms and conditions including judicial remedies.

#### **Terms, Recapture and Default:**

Then interest rate of the MIAP loans will be determined by the applicant's income as follows:

- AMI 80% and below – Deferred loan 0% - Deferred loans require no monthly payment from the borrower. The entirety of the loan will be due and owing at the end of the lease.
- AMI 81% - 120% - 0% Interest Rate
- AMI 121% - 140% - 2% Interest Rate

All loans with the exception of the deferred loan for AMI's under 80% will be amortized over a 36-month term. Payments will be made monthly, and the remainder of the loan plus any interest owing will be due at the end of the rental lease. Borrowers will be given an option to amortize over a 12 or 24-month repayment if they choose.

Borrowers will receive a monthly invoice, and all payments will be due on the 1st day of each month.

The City shall have the right to seek legal action in the event of nonpayment of the loan. If the CDO is unable to recover its debt after the due date for repayment, the City may proceed with legal action to obtain a judgment on the promissory note.

**Eligibility Requirements:**

1. Proof of employment of letter of intended employment in Key West.
2. Proof of income not to exceed 140% of the Area Median Income (AMI) as defined by the City of Key West Work Force Housing Income, Rentals and Homeownership Limits.
3. Rental Properties may be located from Key West to Big Pine and must possess a valid rental license.
4. Eligible applicants may not commit more than 30% of their monthly income towards the monthly rental costs.
5. Eligible properties must provide tenants with a 1-year lease and a copy of Lease Agreement with property owner or manager must be submitted.
6. If a property has multiple renters listed on the lease agreement all tenants may apply for funding. Applicants for those properties with multiple lessee's may only receive an amount equal to their prorated portion of the last months' rent and the security deposit for that property. All applicants must meet the income limits in accordance with program guidelines
7. Applicants must sign a Promissory Note.
8. Persons who have received assistance under this program will be eligible for further participation if they have met all program requirements and repaid or satisfied their loan term in its entirety.

**Recipient Selection Criteria:**

Applications for loans will be prioritized and processed on a first-come, first-served basis while funds are available. A list of eligible applicants will be kept by the CDO.

**Additional Information:**

The Community Development Office will periodically review program requirements and procedures to further improve the implementation of this program. It is the intent of the CDO that all administration and procedures shall be developed in accordance with policies set forth by the City of Key West.