

Memorandum



Date: December 2, 2008

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George W. Burgess
County Manager

Subject: Setting of the Maximum Sales Price for Homes Sold under the County's Affordable Housing Development Programs.

Agenda Item No. 8(K)(1)(A)

RECOMMENDATION

It is recommended that the Board of County Commissioners ("Board") approve the attached resolution which authorizes a change in policy to set a maximum sales price for homes sold under the County's affordable housing development programs or purchased with the assistance of the County's Homebuyer Mortgage Assistance Program. Under such policy, the maximum purchase price would be \$205,000; however, the maximum sales price would be capped at \$175,000 under the Infill Program in cases where the County provided the infill lot to the developer without cost. Otherwise, the \$205,000 maximum sales price would apply.

Staff will review the maximum purchase price every two years and recommend changes to the Board if necessary. The maximum purchase price will be applied prospectively once the attached resolution becomes effective.

SCOPE

The applicability of the new maximum sales price is applicable to all homeownership units in Miami-Dade County where County funds have been used for construction subsidy or for homeownership mortgage assistance.

FISCAL IMPACT

The setting of a new maximum sales price, which is lower than the existing cap, will have no fiscal impact to the County.

BACKGROUND

Through the Infill Program and the Affordable Housing Development Program, the County subsidizes the construction of affordable housing units and also provides soft second mortgages to assist moderate- and low-income households purchase homes.

At the April 24, 2007 meeting of the Board, a policy was adopted to set the maximum sales price formula for potential homeowners seeking mortgage assistance from the County. Under this policy, the maximum price was tied to a price limit formula based on federally published median sales prices for Miami Dade County, which was well over \$350,000 in July 2007. However, that policy did not remove the existing \$225,000 cap on units where construction subsidy was to be provided.

Staff has reconsidered setting the maximum price based on the median sales prices because housing prices have become volatile and inconsistent, and recommend utilizing a formula which considers the average median income for metropolitan Miami-Dade county. In addition to average median income, two

additional factors apply in setting a new maximum sales price under the County's affordable housing programs:

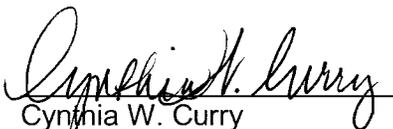
- The maximum monthly payment, meaning the house payment (mortgage, insurance and taxes), plus all outstanding debts (installment loans, revolving credit cards, and child care expenses, etc.) cannot exceed 40% of the borrower's gross monthly income. Furthermore, no more than 29 percent of the borrower's monthly income can go towards the direct payment of the principal and interest. This factor will ensure that a participating household does not purchase a home beyond its means.
- The last factor is the maximum amount of subsidy available. Soft second mortgage assistance is subject to policy set forth in the County's Local Housing Assistance Plan as adopted by the BCC and submitted to the State of Florida. Attachment A sets forth the maximum amount of mortgage subsidy available based on household percent of area median income.

Using the 120 percent average median income for a family of four as the standard test for the formula, a 40 percent overall debt ratio (including no more than 29 percent for mortgage principal and interest payments), a first mortgage interest rate of 6.75 percent, and the highest subsidy allowed by the County, the sales price maximizes to approximately \$205,000 (see attachment). Anything higher would yield too great a risk to the homebuyer and the County.

Staff recommends that the maximum sales price for any homeownership unit constructed with County funds or purchased through County funded spot loans as soft second mortgages be capped under the Homebuyer Mortgage Assistance Program. Thus, the \$205,000 maximum sales price would apply to homeownership mortgage assistance and any construction lending applied towards the purchase or development of these homes. In the case of the Infill Program, staff recommends that the maximum sales price be capped at \$175,000 in cases where the County provided the infill lot to the developer without cost.

At the October 2, 2008 meeting of the Community Affordable Housing Strategies Alliance (CAHSA) Advisory Board, the \$205,000 purchase price cap was discussed and a motion to approve same and forward to the Board of County Commissioners was seconded and approved. The CAHSA Advisory Board further asked staff to continue its review as to whether there is a need for a subsidy increase for very large families and to come back upon completion of its review. Should a recommendation result in either approving a larger subsidy level or an exception to the purchase price, a recommendation from CAHSA will be forwarded to the Board.

Attachment



Cynthia W. Curry
Senior Advisor to the County Manager



MEMORANDUM

(Revised)

TO: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

DATE: December 2, 2008


FROM: R. A. Cuevas, Jr.
County Attorney

SUBJECT: Agenda Item No. 8(K)(1)(A)

Please note any items checked.

- "4-Day Rule" ("3-Day Rule" for committees) applicable if raised.
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Bid waiver requiring County Manager's written recommendation
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- Housekeeping item (no policy decision required)
- No committee review

Approved _____ Mayor

Agenda Item No. 8(K)(1)(A)
12-2-08

Veto _____

Override _____

RESOLUTION NO. _____

SETTING THE POLICY TO ESTABLISH THE MAXIMUM SALES PRICE FOR THE HOMEOWNERSHIP SECOND MORTGAGE PROGRAM AND HOMEOWNERSHIP UNITS DEVELOPED UNDER THE INFILL AND HOUSING DEVELOPMENT PROGRAMS

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board authorizes the policy of establishing a maximum sales price based on medium income for the County's affordable housing development programs or the homebuyer mortgage assistance program. It is further authorized the maximum sales price be capped at \$205,000 for all homes sold under the Housing Development programs and \$175,000 in cases where the County has provided the infill lot to the developer without cost, otherwise , \$205,000 will serve as the maximum sales price under the Infill Program.

The foregoing resolution was offered by Commissioner _____, who moved its adoption. The motion was seconded by Commissioner _____ and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman
Barbara J. Jordan, Vice-Chairwoman
Jose "Pepe" Diaz
Carlos A. Gimenez
Joe A. Martinez
Dorrin D. Rolle
Katy Sorenson
Sen. Javier D. Souto
Audrey M. Edmonson
Sally A. Heyman
Dennis C. Moss
Natacha Seijas
Rebeca Sosa

The Chairperson thereupon declared the resolution duly passed and adopted this 2nd day of December, 2008. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.



Shannon D. Summerset

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Calculation for Setting Maximum Sales Price

Financial Background of Applicant

A	Annual Income	\$70,000.00	Average income of 4-member family earning 120 percent of AMI
B	Monthly Income	\$5,833.33	Average income divided by 12 months
C	Front Ratio (Mortgage payment cannot exceed 29% of monthly income)	\$1,691.67	Mortgage payment amount should not exceed (29% of monthly income)
D	Taxes and Insurance	\$600.52	Taxes and insurance estimated on home with value of \$205,000
E	Mortgage Payment less taxes and insurance	\$1,091.15	Front Ratio minus Taxes and Insurance (C - D = E)
F	Maximum Mortgage Loan (First Lender)	\$168,202.94	Value of \$1,091.15 monthly mortgage payment with a fixed 6.75 percent interest rate amortized over 30 years
G	County Subsidy Level (Second Mortgage)	\$30,000.00	BCC approved subsidy level based on AMI
H	Total Mortgage Amount	\$198,202.94	(F + G = H)
I	Down Payment Requirement of Three Percent on Home Value	\$6,150.00	Based on three percent of \$205,000
J	Maximum Purchase Price of Home	\$204,352.94	(H + I = J)

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