



Legislation Text

File #: 1533-2024, **Version:** 1

BACKGROUND:

In the late 1990's Homeport collaborated with the City of Columbus and the Ohio Housing Finance Agency to participate in the LIHTC Lease Purchase Program. The program was designed to meet the immediate needs of affordable rental homes and eliminating vacancy and blight throughout the City while also advancing the opportunity for renters to become homeowners. Using resources from the Low Income Housing Tax Credit Program, along with City and State investments single-family homes were built and rehabbed in legacy neighborhoods across the City, including Linden, Franklinton, and Westgate.

This program has served as another tool to advance affordable homeownership in the City of Columbus by supporting the transition of residents of LIHTC homes to ownership. Rent to own or lease to own purchases have long existed as a pathway to home purchase for those that need time to build resources prior to purchase while having the access to a home that can be sold to them in the future. The partnership between Homeport, the City, and the Ohio Housing Finance Agency was designed to reduce barriers to homeownership while providing over 15 years of affordable rental homes in the community. The program has allowed the residents' time to evaluate and prepare for homeownership with the security of a long-term affordable rental home, with the average number of years that a resident has lived in their lease option home being 10 years. The City's investment in affordability has served the three-fold purpose of creating affordable rental homes, increasing neighborhood stability (lease option residents average 9 years 8 months in homes), and supporting attainable homeownership. As the owner, Homeport provides services to support residents who chose to purchase; those services include evaluation of purchase readiness, homebuyer preparation, and connection to down payment and closing costs resources. Any homes not sold to tenants or low-income homebuyers will continue remain rental subject to income and rent restrictions of the LIHTC program until the 30-year compliance period has been met. No existing tenants will be displaced because of this effort.

A HOME loan was made to the Greater Linden Homes project on July 27, 2000, for \$383,000.00. The loan was made at 6.5% interest and the current balance of the loan exceeds \$1,135,489.00. There were 39 units in this project, within the Ohio Housing Finance Agency Low Income Housing Tax Credit (LIHTC) lease purchase program. The single-family homes are located in South Linden, Milo Grogan and North Central neighborhoods. Of the 39 total units, eight units have already been sold to either tenants or low-income homebuyers. The property has completed its 20-year HOME affordability period and would like to sell the remaining 31 units to those existing tenants or low-income homebuyers that qualify to complete this lease to purchase project. Upon the sale of each of 31 units, Greater Linden Homes Limited Partnership would like the City of Columbus, Department of Development to forgive the HOME debt for this loan. The Development Department has put together a policy that allows debt forgiveness in those instances in which the HOME affordability period has been completed and only when each unit has been sold to either the tenant that has lived in the home, or to low-income persons making 80% AMI and below. A portion of the debt will be forgiven on a unit-by-unit basis.

The project owner has also requested that the interest rate for the loan be decreased to zero moving forward. The interest rate was set at the time the loan was made to comply with IRS regulations that required using the applicable federal rate in effect at the time of the loan. The LIHTC benefits have been fully utilized with the investor owner having exited the project so there is no longer a reason to continue this interest rate.

FISCAL IMPACT: There will be a loss of over \$1,135,489.00 in fully reserved HOME receivables.

To authorize the Director of the Department of Development to forgive the principal and accrued interest on a unit by unit basis for The Greater Linden Homes Limited Partnership on a HOME loan due to the City of Columbus totaling approximately \$1,135,489.00 as homes are sold to existing tenants or low-income homebuyers. To reduce the interest rate on the current balance of the loan to zero. (\$1,135,489.00)

WHEREAS, the Department of Development has approximately \$1,135,489.00 in principal and accrued interest owed to it for a HOME loan made to the Greater Linden Homes Limited Partnership for the acquisition and construction of the project located within various legacy neighborhoods, in Columbus; and

WHEREAS, this legislation would forgive up to approximately \$1,135,489.00 of principal and accrued interest on the HOME loan; and

WHEREAS, this loan was made for the acquisition and construction of these rent/lease to own units for those that needed a pathway to home purchase and to provide them the time to acquire the resources to do so; and

WHEREAS, the loan was made for the acquisition and construction for as part of the LIHTC program with an interest rate of 6.5%, and now the project owner has requested that the interest rate be decreased to zero moving forward; and

WHEREAS, the properties that have not or will not sell in the future will continue to provide affordable housing to those who qualify until the 30-year compliance period has been met. No existing tenants will be displaced as a result of this effort; and

WHEREAS, the City will have a loss of up to \$1,135,489.00 in HOME principal and accrued interest receivable; and
NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

ORDINANCE 1. That the Director of the Department of Development be and is hereby authorized to forgive principal and all of the accrued interest on a unit by unit basis and homes are sold to existing tenants or low-income homebuyers totaling up to approximately \$1,135,489.00 for the City HOME loan made to the Greater Linden Homes Limited Partnership. There will be a loss of up to approximately \$1,135,489.00 in principal and accrued interest receivable for the HOME Investment Partnerships program income.

ORDINANCE 2. That the interest rate for the loan is to be decreased to zero moving forward.

SECTION 3. That this modification is made pursuant to Chapter 329 of the Columbus City Code.

SECTION 4. That this ordinance shall take effect and be in force from and after the earliest period allowed by law.