

# Hello Novato!



## Info + Insights on Affordable Homeownership in Novato

Hello Housing is a non-profit organization working on behalf of the City of Novato to manage their Below Market Rate Homeownership Program. Our goal with this newsletter is to provide helpful information and resources that may benefit you and your family and to provide answers to your most Frequently Asked Questions.

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### Won't You Join Us?

#### **Upcoming Workshop: BMR Resales & Transfers Tuesday, August 29th, 2017, 6:30pm**

War Room at Meadow Park, 500 Palm Drive, Novato. Do you have questions about how much you can sell your BMR home for and how the resale process works? Do you have questions about who can inherit your BMR home and how to set this up? At the upcoming workshop, we will discuss the BMR program guidelines for resales, inheritance and other transfers of title. RSVP by emailing [sarah@hellohousing.org](mailto:sarah@hellohousing.org) or by calling (415) 863-3036.

## Welcome New Homeowners to the Novato BMR Community

Carla and Jason's family is one of 20 qualifying households who purchased a home through the Novato BMR Program last year. If you recently purchased your home, congratulations and welcome to the BMR Community!

“We have always wanted to own a home and the BMR program has allowed us to accomplish this dream. Our monthly payments are actually affordable and are an investment in our future instead of paying rent which gives you a roof over your head each month, but that's about it. We love having a place to go home that's ours, where we can invite people to and make improvements to as we wish. Our kids love it here and we feel like we're part of a community.

To us, homeownership means independence, accomplishment, community and family.”

– CARLA AND JASON, NOVATO BMR HOMEOWNERS



### How has the BMR Program Impacted You?

Send your answer\* to [hello@hellohousing.org](mailto:hello@hellohousing.org) by September 1, 2017 and be entered into a drawing for a \$50 gift certificate to Whole Foods in Novato!

\* ANSWERS MUST BE A MINIMUM OF 25 WORDS TO QUALIFY!



Have questions? We have answers! Please email Sarah at [sarah@hellohousing.org](mailto:sarah@hellohousing.org) or call (415) 863-3036 x103. We'd love to hear from you.

# Allowable Appreciation in 2017

## How much was the increase to the Area Median Income in 2017?

Area Median Income (AMI) increased by 7.06% in Marin County between 2016 and 2017. If you bought your home in 2004 through 2008, the increase in AMI since your purchase is now at 20.01%. This means the price you can sell your home for has gone up significantly since last year.

## How much can I sell my home for?

Depending on the market conditions, your sales price will be limited by either (1) the Eligible Buyer Purchase Price as defined in the restrictions recorded on your home or (2) be limited by how much an eligible buyer is willing and able to pay for your home. Please take a few minutes to review the following information so you can understand these limiting factors and take them into consideration when contemplating the sale of your home.

### 1 Your sales price is limited by the Eligible Buyer Purchase Price as defined in the recorded restrictions.

The Affordability Covenant, signed by you when you purchased your home, is the document that governs the BMR program in the City of Novato. Section 4.5 of this Covenant includes a formula that calculates the “Eligible Buyer Purchase Price” based on your specific circumstances. You can think about the Eligible Buyer Purchase Price as the maximum amount you can sell your home for according to a calculation set forth in the program documents. Key variables in this calculation include:

- The original price you paid for your home
- The year you purchased your home
- The year you are selling your home
- The change in the Area Median Income as defined by the U.S. Department of Housing and Urban Development (HUD) between your purchase year and your sales year.
- The depreciated value of any City-approved capital improvements, if applicable, at time of sale.

The Area Median Income (“AMI”) is published annually by HUD, typically in the Spring, and is therefore adjusted each year. The following chart can be used to show you the change in AMI between your original purchase year and the current year of 2017. For example, if you purchased your home in 2009, and are planning to sell in 2017, you would use 18.38% as the percentage change in Area Median Income. Please note that if the change in the AMI is ever negative, the City will use 0% when calculating the Eligible Buyer Purchase Price, not a negative number.

Year of Purchase	2004-2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
% change in AMI as of 2017	20.01%	18.38%	15.26%	13.05%	11.65%	13.44%	17.69%	12.79%	7.06%	0%

### 2 Your sales price may be further limited by how much an eligible buyer is willing and able to pay for your home.

In a traditional sale of a home, sellers can compare their home to similar homes recently sold to determine a sales price. Below Market Rate (BMR) homes have unique restrictions, so sellers of BMRs do not have the benefit of looking at comparable homes recently sold in the area use when determining a sales price. In fact, even similar homes within the same BMR development (e.g. same number of bedrooms and bathrooms) may not serve as comparable sales because they are restricted for sale to households with varying income levels. It is this restriction that allows the City to provide long-term affordable homeownership opportunities to future generations.

Let us know how we're doing by sending an email to [hello@hellousing.org](mailto:hello@hellousing.org) with any feedback, suggestions or compliments.



# A Closer Look at Your City of Novato Silent Second Loan

When you purchased your BMR home, the City of Novato issued you a “Silent Second Loan”. Silent Second loans are a common way that BMR programs ensure that the homes in the program remain affordable into the future. Take a look at the information below to learn more about how the loans work and why they are important.

## Why does the City of Novato hold a Second Loan on my property?

All BMR homeowners in Novato received a silent second loan from the City of Novato when they purchased their home. The amount was determined by calculating the difference between the fair market appraised value of the home and the below market rate value at which the home was sold (see examples below). This is a silent loan, meaning that you are not required to make monthly payments on it and it will be resized and assumed by the next buyer when you sell the home to an eligible buyer at the eligible buyer purchase price (see page 4 for how this is calculated). The next buyer will receive a new silent second loan based on their purchase price and the appraised value at the time of purchase



## Example #1 – Mendoza Family

The Mendoza Family owns a 3-bedroom home in the Meadow Park community, which they purchased in 2005. Their home is restricted to households earning below 110% of the Area Median Income.

Fair Market Value at time of purchase: \$500,000  
BMR Purchase Price: - \$370,000  
Amount of Silent 2nd Loan: \$130,000

## Example #2 – Jones Family

The Jones Family owns a 3-bedroom home in the Meadow Park community, which they purchased in 2006. Their home is restricted to households earning below 75% of the Area Median Income.

Fair Market Value at time of purchase: \$530,000  
BMR Purchase Price: - \$227,000  
Amount of Silent 2nd Loan: \$303,000

## How do I find out the amount of my Silent 2nd Loan?

You will find more information about your silent second loan by referring to your Promissory Note and Deed of Trust from the City of Novato. Hello Housing can provide you with a copy of these documents upon request.

## How would my Silent 2nd Loan affect my ability to refinance my 1st mortgage?

If you refinance your first mortgage, your lender will need the City to “subordinate” their silent loan, so that the refinancing lender can have first priority position among the liens recorded against your home. Hello Housing assists with this process by reviewing documents from your lender, drafting a Subordination Agreement for the City to sign, and coordinating the close of escrow with your title company.

## Do I have to pay off my Silent 2nd Loan?

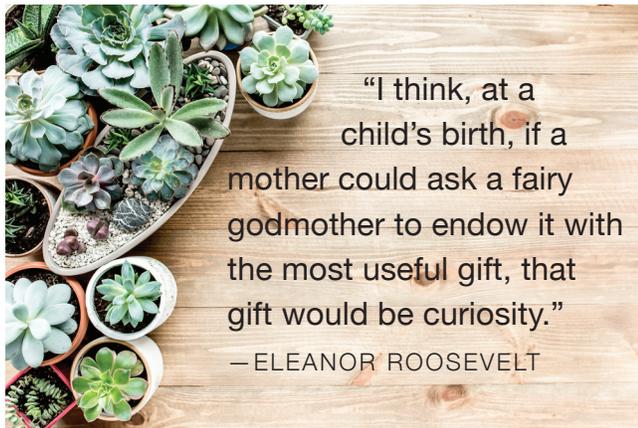
The only scenarios in which you could be required to pay off your Silent 2nd Loan include:

- If you are out of compliance with the BMR program requirements, e.g. renting out your home.
- If when selling the home, you do not follow the required process to sell the home through the BMR program at the affordable sales price to an eligible buyer.

## How common are Silent 2nd Loans?

Silent second loans are used by many BMR programs throughout the country as a way for cities to ensure that the homes in their programs remain affordable for future generations and that the programs continue to benefit low and moderate-income households. Silent second loans also ensure that homebuyers don’t misuse these programs that have received significant public subsidy by buying the homes at an affordable price and then selling them at market value.

# Frequently Asked Questions



## Can I rent out my home?

No. The development of affordable housing requires significant public investment. These public resources come with conditions that must be met after the homes are built. Your home was developed to be lived in by a homeowner. In contrast, there are affordable developments in Novato that can only be rentals.

## Why do I have to recertify that I live in my home each year?

For the development of your home, the City of Novato made a substantial financial investment of public funds to provide and maintain an important supply of affordable housing that is specifically intended to be lived in by owners. As homeowners, you gain the benefits of homeownership such as building equity in your home over time instead of paying monthly rent, greater stability in your monthly housing payments and the freedom to make your home just as you'd like it.

The "Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement" you signed when purchasing your home states that the City may request that you submit an affidavit each year certifying that you live in your home as your principal residence and that you are not renting or leasing any portion of the home. It is important that the City track homeowners' compliance with these requirements each year - when a homeowner fails to honor the commitment they made when buying a BMR home, it reduces the opportunity for others to benefit and puts innovative programs like this at risk. Not providing the requested documentation may trigger further investigation and potential legal action. Your investment of time in submitting a response to each annual request is a vital component to ensuring that the BMR Program is serving its intended purpose and we appreciate your diligence in participating each year!

## Can I add a family member or friend to my home's deed?

No. The BMR Program prohibits transfers of title or transfers of interest in the home to anyone except to a spouse in conjunction with marriage. Please contact Hello Housing if you have questions about these requirements. You can also learn more by attending the upcoming workshop on Resales and Transfers. See page 1 for the workshop time and location.

## Can my children inherit my home?

It depends. An owner's children (natural or adopted) or surviving spouse or surviving joint tenant could inherit their home as long as they agree to comply with the BMR program requirement of Owner Occupancy. If they prefer not to reside at the home, they could sell it and receive the proceeds. If the heir is someone other than your child, spouse or joint tenant, the home would need to be sold and the heir would receive any proceeds of the sale. PLEASE NOTE: The BMR Program does not allow for your children or other individuals who were not co-purchasers (except for a spouse) to be added to your home's title. Please consult with an estate planner if you'd like to pass your home on to your children or someone else. You can also learn more by attending the upcoming workshop on Resales and Transfers. See page 1 for the workshop time and location.

## Can I refinance and get cash out?

The program documents prohibit taking cash out. However, on September 30, 2014, City Council approved a term-limited policy exception allowing limited cash out to eligible owners. Please contact Sarah Shimmin at [sarah@hellohousing.org](mailto:sarah@hellohousing.org) to learn more and to learn whether you may be eligible.

## What about Home Equity Lines of Credit and Reverse Mortgages?

Home Equity Lines of Credit and Reverse Mortgages are prohibited. One of the main goals of the BMR program is to allow low and moderate-income families to access benefits of homeownership, such as building equity when making housing payments. Home Equity Lines of Credit and Reverse Mortgages can put homeowners and the City at financial risk and reduce the benefit of affordable housing programs.

# ✓ Capital Improvements Checklist

The Novato BMR Program allows certain improvements you make to your home to be captured in your home's restricted resale value. To determine whether your proposed home improvements can be considered as eligible capital improvements which will potentially increase the resale value of your home, please follow the steps listed below.

- Contact your HOA** to discuss the improvements you plan to make to your home and find out if they are allowed by the HOA.
- Contact Hello Housing** to find out if the improvements count as eligible capital improvements per the definition in your Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement.
- If requested by Hello Housing, submit a cost estimate** of the work you plan to have done, including materials and labor. Hello Housing will determine if the costs are reasonable based on industry standard.
- Hello Housing will provide a depreciation schedule** in writing for each approved item.
- Obtain building permits** if necessary (visit <http://novato.org/home/showdocument?id=467> for a list of what requires a permit).
- Save all receipts and invoices** for the approved capital improvements once the work is complete.
- Submit receipts to Hello Housing** for the approved capital improvements via mail, email or fax.
- Hello Housing will provide a letter** with the approved costs and depreciation schedules for each approved item.
- If you decide to sell your home in the future**, Hello Housing will calculate the depreciated value of the approved capital improvements at the time of sale, and add this to the restricted value of the home.

## What counts as a Capital Improvement?

Section 1.12 of the City of Novato Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement, defines Capital Improvements as follows: "Capital Improvements" shall mean any capital improvements or upgrades made by Owner to the Unit which significantly increase the value of a Unit and which are pre-approved in writing by City. By way of example, upgrading an appliance shall not be a Capital Improvement, but upgrading all appliances, flooring, countertops and cabinetry in the kitchen could be approved by the City as a Capital Improvement under the particular circumstances presented.

## Examples of *Eligible* Capital Improvements

- ✓ Upgrading from carpeting to hardwood or laminate flooring
- ✓ Remodels such as upgrading all appliances, flooring, countertops and cabinetry in the kitchen
- ✓ Installing an air conditioning system

## Examples of *Ineligible* Capital Improvements

- ✗ Replacing a water heater
- ✗ Replacing existing carpeting with new carpeting
- ✗ Window coverings
- ✗ Painting
- ✗ Addition of closet shelving

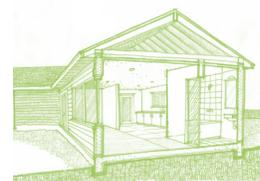
## Importance of Permits

Please make sure to check on whether a building permit is required by the City for any improvements you make to your home. If you do not obtain a required permit, you may be responsible for paying penalty fees of three times the regular permit fee when you sell your home in the future. Any unpermitted work would also be required to meet current City code at the time of resale.

Please note that the installation of air conditioners DOES require a building permit. You can find out what requires a permit and what does not by visiting <http://novato.org/home/showdocument?id=467>.

# Homeowner Resources

Not sure where to turn? Hello Housing is here to help. We are part of a network of service providers who are trained to assist homeowners facing various challenges. It is better to act early and fast than to wait until problems get bigger and harder to solve.



## Housing and Financial Resources

**Fair Housing of Northern California** (formerly Fair Housing of Marin) Are you facing foreclosure or having difficulty making your mortgage payments? Fair Housing of Northern California (FHONC) offers free foreclosure prevention services to homeowners in Marin, Sonoma, Solano and Napa counties. As a HUD-approved housing counseling agency, FHONC's counselors can help you determine the best options and identify resources and programs specific to your needs. For more information, visit [www.fairhousingcal.org](http://www.fairhousingcal.org) or call (415) 457-5025.

**Keep Your Home California** offers multiple resources for people directly hit by the housing and economic crisis. Low and moderate-income homeowners who have experienced hardships such as unemployment, disability, illness or death in the household may be able to benefit from Keep Your Home California. More information is available at [www.keepyourhomecalifornia.org](http://www.keepyourhomecalifornia.org) or by calling (888) 954-5337. Fair Housing of Northern California (contact information listed above) can also assist you with understanding your eligibility and qualifications to participate in Keep Your Home California's Programs.

**Novato Human Needs Center** provides an array of services for low-income children, adults and seniors who are facing financial hardships and need information, resources and guidance. One of the programs they administer, Emergency Family Needs (EFN), can assist people with mortgage payments among other emergency needs. While there are no income restrictions for the EFN program, applicants must show that they meet one or more of the following: have minor children living at home, senior citizen, disabled, veteran or victim of domestic violence. For more information, visit [www.nhnc.org](http://www.nhnc.org) or call (415) 897-4147.

## Resources for Energy Savings and Home Repairs

**Green & Healthy Homes Initiative Marin County** (GHHI Marin) is a new network of local providers working to make residents' housing healthier, more accessible and energy-efficient. By coordinating the services of multiple partners, the program makes it easier for income-eligible Marin residents to receive information, incentives and the necessary services to improve their housing and quality of life. A sample of the home improvements and repairs that are provided at no cost to eligible applicants through GHHI Marin include:

- roof, door, window and foundation repair;
- pest remediation;
- installation of grab bars and ramps;
- installation of energy conservation measures and heating/cooling systems;
- waste reduction strategies;
- and social service referrals

GHHI Marin's housing services are free to individuals and families who meet specific eligibility criteria. Any senior or family of moderate means can apply for services through the program. To apply or request more information visit [www.GreenHealthyHomesMarin.org](http://www.GreenHealthyHomesMarin.org) or call (415) 464-6688.

**Rising Sun Energy Center** provides no-cost home energy and water conservation services to homeowners and renters, regardless of income level. During the summer, they install energy-efficient LED light bulbs, water-efficient aerators and showerheads, and more, as well as conduct a home energy and water assessment. You can sign-up for this service on their website, [www.risingsunenergy.org](http://www.risingsunenergy.org), or by calling 510-665-1501 EXT 5. Appointments available through August 10, and are available on a first-come, first-served basis.



Together, Building  
a Better California