



Affordable & Sustainable HOMEOWNERSHIP

Single Family Lease Purchase

**Detroit Future Cities Update
Sept. 17, 2019**

Detroit Scattered Site Lease Purchase Portfolio

- More than 1,500 units of single-family homes were developed through the LIHTC program in the City of Detroit, most of which were developed with the intention of delivering housing ownership opportunities for low-income residents.
- Many of these projects nearing their 15-year lease cycle are controlled by nonprofit owners who are repositioning their operations to balance financial/capital needs of their portfolios with the ability to sell homes to families at an affordable price or have a lack of experience in converting renters to homeowners.
- Since 2016 Cinnaire and CHN have been developing infrastructure, knowledge and political willingness of major stakeholders to help maximize positive results for the entire 1,500-unit portfolio.

Scattered Site Lease Purchase Pilot

- The Scattered Site Lease Purchase Pilot program brings CHN's lease purchase strategy to Detroit for 188 low-income families living in single family homes owned by Cinnaire and developed through the Low-Income Housing Tax Credit (LIHTC) program.
- The goal of the pilot is to achieve affordable homeownership over the next eight years for as many of those 188 residents as possible.
- The pilot utilizes the learnings of CHN's lease purchase work while adjusting for the particular needs for the residents of the City of Detroit and for the operational and community experience of Cinnaire.
- The Opportunity Resource Fund will be offering first mortgages with alternative underwriting criteria for the residents.

CHN Lease Purchase Program

- 15-year affordable rental opportunity that converts in year 16.
- CHN uses LIHTC as the primary economic driver of production of homes.
- CHN self performs all aspects of project—serving as owner, developer, general contractor, property manager and sales.
- CHN has developed 2,100 single-family scattered-site homes using this model.
- CHN has sold 1,300 homes to its Lease Purchase Families.

Sustainable Homeownership



- 85% – 90% of CHN's Lease Purchase families take title to their homes.
- 99% of CHN's Lease Purchase buyers sustain successful homeownership for a period of at least 5 years after purchase.

Lease Purchase as an anti-poverty and economic security strategy

The Lease Purchase program provides low-income families with the largest wealth-building tool in America—homeownership. The success of the model is due to several key principles:

Homeownership Preparation

Families work with housing counselors and take home-ownership classes to ensure they are prepared and mortgage ready to become homeowners.

The Equivalency Principle

The “equivalency principle” maintains a family will succeed as a homeowner as long as the cost of homeownership (including insurance and taxes) does not exceed what they had previously paid in rent.

Lease Purchase as an anti-poverty and economic security strategy

Homebuyer Financial Assistance

An extensive toolbox of financial assistance (e.g., down payment assistance, match savings) provides tools that help buyers to achieve the Equivalency Principle.

Mortgage Financing

Because of strict underwriting guidelines, most low-income homebuyers do not qualify for conventional loans. Mortgage products which include short-term mortgages that make it affordable to low-income homebuyers and consider alternative underwriting criteria are critical.

Integrated Solutions for Success

- A Homeownership & Sales Team dedicated to creating an engagement plan to help families take title to their homes.
- An alternative mortgage loan program that addresses residents' needs and allows long-term sustainable homeownership. The Opportunity Resource Fund is offering this loan product in Michigan.
- A cash savings match program that helps residents to begin to save in Year One and provides a 3:1 match at conversion (sale).
- A Down Payment Assistance (DPA) program that helps residents maintain a reasonable mortgage amount relative to their income.
- Buyer access to post purchase services, including: Energy conservation/repairs, financial counseling, employment services, income supports and utility assistance.

PROGRESS TO DATE

Homeownership Process

1. Adjusted property management and maintenance philosophy to a homeowner-focused approach
2. Held first homeownership meetings in first two projects
3. Built out capital structure for first two partnerships
4. Residents actively participating in homebuyer coaching, homebuyer education and savings programs

PROGRESS TO DATE

Funding Structure – First Two Partnerships

- \$25,000 purchase price
- \$10,000 in down payment assistance
- Match savings of 3 to 1
- Resident required to bring \$1,000 in savings to closing

First Project – Eastside Detroit Homes

- 54 units
- 37 of 54 residents currently engaged in the homebuying process
- Anticipate first closing by end of this year

PROGRESS TO DATE

Second Project – Pinigree Park Homes

- 46 units
- 32 of 46 residents actively engaged in the homebuying process
- Anticipate first closing in 2020

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