SPECIAL MEETING NOTES Monday Oct. 30, 2017 One M&T Center

*Board Members pre*sent: Jennifer Beltre, Marcia Brown, Toni Canazzi, Jim Eaton, James Gillan, Susan Hassinger, Sue Jacobs, Brett Koeppel, Marge Plumb, John Sexton, Jerry Sheldon, Paul Wiech

Staff Members present: Executive Director Teresa Bianchi, Family Service Manager John Kordrupel, Americorps Volunteer Keelan Erhard

Volunteer: Alison Levine

Purpose of the Meeting: To discuss ways of managing family affordability and subsidies in the interest of developing appropriate policies. Board President John Sexton noted that the meeting should be considered an educational workshop rather than a formal Board meeting.

Review of Relevant Materials: President Sexton reviewed the materials in an updated handout of information related to subsidies including background, types of subsidy HFHB provides, AMI (Area Median Income) percentage criteria, FA (Family Affordability) data, the potential impact of a subsidy cap, etc.

AMI Percentage Criteria: HFHB currently requires that family income be no less than 30% of area median income and cannot be greater than 80%. (City of Buffalo 2017 AMI is $68,200 for a family of four) After discussion the consensus of those present was that the lower limit should be 40% AMI. Objectives of criteria are to reduce necessary purchase price subsidies and help the affiliate serve more families, It also helps ensure families are matched with affordable housing for life-long home ownership success

Family Affordability: This refers to the percent of the family's income which is spent on housing, including taxes and insurance. Increasing the allowed percent would permit families to be matched with more houses.

Status of current families / Fair Market Value (Appraisal) of houses:

- At present we have 38 families with at least 150 sweat equity hours plus another 20 in the pipeline.
- Average new build Appraisals in 2017 were $105,000 (projected at $110,000 in 2018) while rehab Appraisal values vary widely depending in part on the neighborhood ($70,000 to $138,000 in 2016 and 2017).
- Several families do not meet our current eligibility requirements to be offered any house. One option would be to put these families on hold until such time as their income improves.
- Some families can afford house prices without need for subsidy. Because family financial circumstances often change, whatever matching policies we adopt will need to be reassessed annually.
- It is also the case that we will need special policies for large families (eight or more members) and for families who include a severely handicapped member.

Other issues raised during discussion (Answers from John Sexton's Notes):

(1) Should our budget include a specific amount of money which is set aside for subsidies? Where does subsidy money come from?
   a. This type of subsidy is NOT a budget item, however it does impact the amount of money we recognize at the time of sale and thus increased subsidies have an negative impact on the budget
   b. It occurs as a decrease in payments back to the affiliate from the homeowner
(2) What impact would our subsidy and house matching policies have on Habitat's mission?
   a. The mission of making housing available to low income families will not be impacted. In fact if we can serve more families, we can enhance our mission.
   b. As per our criteria for admittance to the program all families would be classified as "Low Income" to "Very, Very Low Income" (J. Beltre)
(3) In the past have heavily subsidized families been more likely to default?
   a. The data for calculating subsidies in the past is not consistent with methods used in the last two years.
(4) If we give families the option to increase the percent of their income which they spend on housing, are they likely to make bad decisions?
   a. There was a hesitancy to allow the option to increase the families percent of income going to housing to the maximum levels (30%) allowed by AFC.
(5) How will we ensure that families understand our policies and the possibility that they might be put on hold?
   a. Clearer, consistent, documentation will be created (simple versions of the same data we are reviewing) to ensure the families are knowledgeable about the process
(6) Do families understand the subsidy they are in all cases receiving, i.e. no interest on the mortgage?
   a. The different types of subsidies being given to the families should be included in the documentation presented
(7) Should the amount of a subsidy depend on the cost of a particular house? Should there be a maximum subsidy?
   a. It was felt that could lead to disport treatment between families. The policy should be uniform for all families
(8) Where do closing costs fit in to the subsidy question?
   a. Closing costs are either coved by external grants or are rolled in to the closing costs and financed over the life of the loan
   b. Financed closing costs have 2 financial components – hurt upfront cash flow and increases the financing subsidy

Subsidy/house matching policy proposals are to be voted on at the next Board meeting

Respectfully submitted,
Marge Plumb, Secretary
(With edits by John Sexton)