



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR
RE: RESOLUTION 23-18, ESTABLISHING A HOME IMPROVEMENT LOAN PROGRAM FOR FRISCO RESIDENTS
DATE: APRIL 11, 2023

Summary and Background: Due to the increasing disparity between the wages earned by the local workforce and the cost of real estate in the Town of Frisco and Summit County, the Town has pursued various methods of increasing the availability of affordable workforce housing in the community for over 20 years. There are now over 160 deed-restricted properties within the Town, and additional projects in the queue in the next several years. While this has been and will continue to be a success, another challenge is related to the continually increasing costs of homeownership.

In the 2021 Town Council Strategic Plan, one of the goals is increasing the proportion of full-time residents in the Town towards 50%. A key component of this goal is that current full-time residents be able to stay in their residences, whether owner occupied or rentals. There have been instances of maintenance costs or condominium assessments causing a property owner to sell, resulting in the loss of a full-time resident. As a result, it has been suggested that the Town could consider implementation of a program to assist local property owners with unexpected home costs.

Town Council discussed development of a Home Loan Improvement program at a work session on December 13, 2022, and directed staff to bring a proposed program for consideration at a future meeting. The proposed program is further outlined in this report, with a proposed resolution approving the program.

Background & Analysis: Frisco has a population of residents, whether retired or still working, who own their homes and have built up substantial equity, but may have limited liquid assets or cash to pay for major home repairs. This program is intended to assist these community members to make necessary repairs so they can stay in their home and our community, instead of being forced to sell their home.

While a home improvement loan program such as this does not currently exist within Summit County, there are similar programs that have been developed for residents in the region that may be used as examples or guidelines for establishment of a Home Loan Improvement Program for Frisco residents. These include deed-restriction purchase programs (Housing Helps), and Down Payment Assistance Programs managed by SCHAs and Town of Frisco, each of which were discussed in greater detail in the December 13, 2022 staff report, and remain as options for funding assistance for homeowners.

Town Council feedback at the December 13 work session was that a home loan improvement program should be available for both market-rate and deed-restricted properties; that marketing of the program availability would be key to its success; properties that had a short-term rental (STR) license, or own property elsewhere, could be eligible; and a monthly repayment of the loan would not be required.

Frisco Home Improvement Loan Program: The proposed Frisco Home Improvement Loan Program is available to all Frisco residents for properties located within Frisco Town Limits, with the following criteria:

- Applicant is a full-time resident in the Town of Frisco, and the property is owner-occupied by the applicant.
- The applicant must show they cannot qualify or afford a conventional loan, and must have sufficient equity in the home to secure the loan.
- The loan proceeds are used only for needed home repairs, examples include roofs, electrical, plumbing or mechanical systems, foundations, or other similar structural or systems repairs.
- Loan proceeds could also be used for energy efficiency upgrades such as windows, building electrification, energy efficient heating systems, insulation, and similar.
- Loan proceeds shall not be used for aesthetic improvements such as kitchen remodels, deck or patios, driveway resurfacing, painting or siding, or other routine maintenance.
- Loan will accrue interest, at a rate of 3%, with a default rate of prime +3% at the time of default.
- If the property ceases to be a full-time residence of the property owner, the default rate shall be applied, and the loan shall be repaid in full within 1 year.
- Loan will be recorded against the property with the Summit County Clerk and Recorder, via a deed of trust.
- Loan shall be repaid in full at time of refinance or sale.

Because the home improvement loan program is intended to support full-time residents in maintaining their primary residence in Frisco and ultimately is revenue neutral, the program could be funded from general fund or the housing fund per Council's direction. A recommendation for an initial program fund is \$250,000, with a maximum loan amount of \$50,000.

The Town's loan will be a secondary deed of trust recorded on the property with a fixed interest rate of 3% amortized over 20 years. The loan is due upon sale or transfer of the home to another party.

Annual reporting and monitoring of the loan recipients should be performed to ensure that the property continues to be used as a full-time residence of the property owner, similar to the annual deed restriction monitoring program.

Financial Impact: With the parameters suggested above, the program could have a financial impact of up to \$250,000 per year. However, loan repayments would offset some portion of those annual costs. Long-term, the financial impact should be zero, as any loans under the program would be repaid in full over time. Finance department staff time will be required to administer the program, which could nominally impact existing workload, but should not require additional staffing at this time.

Recommendation: Staff recommends approval of Resolution 23-18, establishing the Frisco Home Improvement Loan Program.

Reviews and Approvals: This report has been reviewed and approved by:

Tom Fisher, Town Manager

Diane McBride, Assistant Town Manager

Leslie Edwards, Finance Director

Attachments:

Attachment 1 – Resolution 23-18

Attachment 2 – Draft Application Form