



Mayor and Council

Work Session: Down Payment Assistance
and Employee Homebuyer Assistance
Programs

April 28, 2025



Outline

- Requested Feedback
- Background
- Programs
- Next Steps
- Requested Feedback

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Requested Feedback

1. Do you agree that the homeownership assistance program should focus on households earning up to 80% of the area median income?
2. Do you agree that the homeownership assistance program should focus on downpayment and closing cost assistance up to 10% of the household's maximum purchase capacity?
3. Do you agree with the layering of the employee downpayment assistance program, first generation buyer, and/or opportunity area bonuses?

Background

- Housing is one of three focus areas
- In 1993, the Mayor and Council provided a total of \$520,000 to establish the Real Estate Effort for Affordable Community Housing (REACH) program.
- In 2022, the Mayor and Council approved funds to assist employees with downpayments when buying a home in Rockville.
- In 2024, there were three work sessions on the city's housing strategies: supply, subsidy, and stability
- Work sessions provided opportunities for the Mayor and Council to direct staff
- Homeownership assistance was approved as a strategy the Mayor and Council directed staff to pursue

Background

Key Terms

AMI – Washington Metropolitan Area Median Income

Household size – number of members in the family/household (including children)

Number of bedrooms – the total number of bedrooms per unit, using LIHTC parameters as a guide (usually one less bedroom per household member)

Purchase Capacity – an estimate of the maximum dollar amount a household could purchase a home for while maintaining an affordable monthly payment, no more than 30% of monthly income.

DPA – down payment assistance

GSE – Government-Sponsored Enterprises (like Fannie Mae and Freddie Mac)

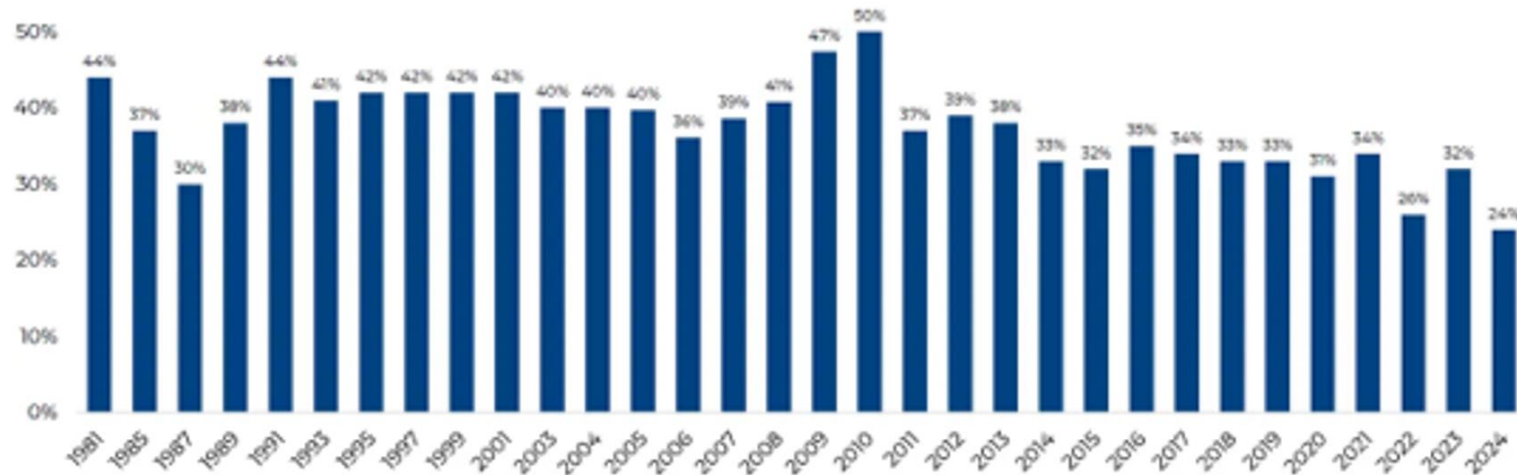
Background

Characteristics of Home Buyers

First-time home buyers decreased to 24 percent of the market share (32 percent last year). This year now marks the lowest share since NAR began collecting the data in 1981. Prior to 2008, the historical norm of first-time buyers was 40 percent.

Exhibit 1-16 First-Time Home Buyers, 1981-2024

(Percentage Distribution)





Background

Rockville Homeowners

Occupied housing units	26,838
Owner-occupied	14,239
Median (dollars)	\$658,300
Housing units with a mortgage	9,771
Spending \$3,000 or more	4,912
Monthly costs as a percentage of income:	
30.0 to 34.9 percent	4.2%
35.0 percent or more	21.1%

U.S. Census Bureau, U.S. Department of Commerce. "Selected Housing Characteristics." *American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP04*, 2023, <https://data.census.gov/table/ACSDP5Y2023.DP04?q=homeownership+rate+in+Rockville+city,+Maryland>. Accessed on March 7, 2025.



Background

Regional Programs

Most jurisdictions offer one or more down payment and/or closing cost assistance programs; three do not offer programs

All programs have income limits

Some programs have homebuyer education requirements, or geographic restrictions.

Employee First-Time Homebuyer Programs: Few jurisdictions offer separate homebuyer programs specifically for their employees.



Background

Real Estate Effort for Affordable Community Housing (REACH)

Established in 1993

A total of \$375,000 for down payment assistance and \$145,000 for infrastructure and program administration

Transferred to Housing and Community Initiatives, Inc. (HCI) in 1997

Transition program funds and administration from HCI **to the City of Rockville**

Convert the six outstanding loans into new program loans with updated terms to align with the redesigned program.



Background

2022 City of Rockville Employees Survey

- **Strong support** for an employer-assisted housing benefit
- Nearly **64% said cash for downpayment** and closing costs was an **obstacle** to purchasing a home
- **Over 79% answered yes** to the question: *If assistance was provided through your employer, would you consider purchasing a home closer to your employment?*
- Indicated that this is important to employees who are already homeowners but live outside of the City of Rockville.



Programs



Down Payment Assistance Program

- Households with incomes at or greater than **100% AMI have access to the entirety of the market** without DPA assistance
- **80% AMI households** who lack access to homeownership **saw substantial growth in market access when provided with 10% DPA** specifically those with larger household sizes



Down Payment Assistance Program

Staff Recommendations

Set maximum income threshold at **80% AMI**

Allow up to **10% in DPA**

Allow assistance to be used for **both downpayment and closing costs**

Deferred no-interest loans

Recycle the repaid loans

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Down Payment Assistance Program

City employees that may qualify for this program include:

- Many in the Administrative Scale
- Most Police Officer I and various other officers depending on step/grade
- Almost all staff in the AFSCME Union Scale including maintenance and sanitation employees

First-Generation Homebuyer Bonus

- **Generational wealth:** financial assets passed by one generation of a family to another
- **Primarily achieved through homeownership**
- First-generation homebuyers are **less likely to receive financial assistance from parents**
- A lack of generational wealth through homeownership **contributes to wealth disparities**



First-Generation Homebuyer Bonus

Staff Recommendations

Buyer must meet GSE defined definition of "First-Generation Homebuyer"

Provide a **\$10,000 "First-Generation Homebuyer Bonus"** to qualifying homebuyers.

The bonus can be **added** to the Down Payment Assistance Program

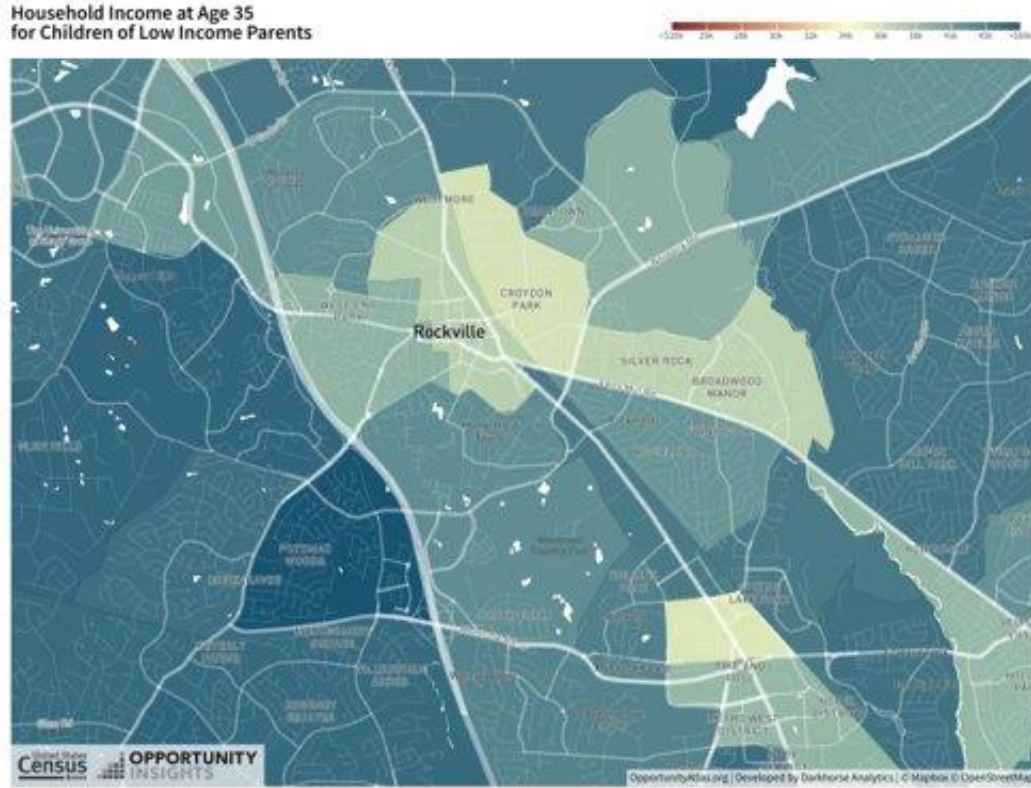
Ten-year forgivable loans

All borrowers on the loan must complete and sign the GSE's First-Generation Homebuyer Certification (Form 1109) to attest to their status.



Opportunity Area Bonus

- Children's **outcomes** in adulthood **vary across neighborhoods**
- **Moving to a better neighborhood** earlier in childhood can **increase a child's income** by several thousand dollars
- Traditional indicators such as job growth do not always mean greater upward mobility





Opportunity Area Bonus

Staff Recommendations

Provide **\$15,000 “Opportunity Area Bonus”** to qualifying families with children that purchase homes in the city’s highest opportunity areas

Added on top of the down payment assistance to increase the buyer’s maximum purchase capacity



Employee Homeownership Assistance Program

In 2022, the **Mayor and Council set aside \$250,000** for an Employee Homeownership Assistance Program.

Provide \$25,000 in down payment and closing cost assistance to City of Rockville employees who purchase in the City.

Provide the assistance as a soft second (zero-percent interest, repayable at sale or transfer).

Eligible staff **must work for the City for at least six months.**

The loans can be combined with the Rockville Down Payment Assistance Program.



Program/Bonus Interplay

DPA and Employee programs can be combined under certain circumstances.

All bonuses are mutually exclusive, only one additional loan/grant can be added to the DPA or Employee programs.

Down payment programs can also be layered with the City's Moderately Priced Dwelling Unit (MPDU) and Rockville Housing Enterprise's Housing Choice Voucher Homeownership programs.



How does this actually work?

Police Officer I

Income: \$66,768

Single

Without down payment assistance – max purchase capacity ~\$280K (75%)

City of Rockville DPA - \$31,833

With City of Rockville DPA of 10% - max purchase capacity ~\$318K (80%)

EHA Program - \$25,000

Plus EHA Program support – max purchase capacity ~\$343K (90%)

Total City support - \$56,833

How does this actually work?

Maintenance Worker I – Public Works or Recreation and Parks

Individual income: \$53,420 Household income: \$105,650

Married, family of five

Without down payment assistance ~\$442K (12%)

City of Rockville DPA - \$49,098

With City of Rockville DPA of 10% ~\$491K (27%)

EHA Program - \$25,000

Plus EHA Program support ~\$516K (34.5%)

Total City support - \$74,098



How does this actually work?

Qualifying Rockville resident:

Household income: \$97,800

Family of four

Without down payment assistance ~\$409K (13%)

City of Rockville DPA - \$44,449

With City of Rockville DPA of 10% ~\$454.5K (33%)

1st Generation Program - \$10,000

Plus 1st Gen. Program support ~\$464.5K (37.5%)

Total City support - \$54,449

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Program Goals

Program goal is to provide at least:

- Ten (10) DPA loans, average of \$46,594.32, total of \$465,943.20
- Two (2) first-generation bonuses, at \$10,000.00 each, total \$20,000.00
- One (1) opportunity bonus, at \$15,000.00, and
- Assist five (5) employees, at \$25,000.00 each, totaling \$125,000.00.

- Estimated total program cost in YR1 - \$625,943.20.

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Next Steps

- Staff will **use the feedback** received tonight to finalize the program design.
- **Create and establish processes**, procedures, application and tracking documents, etc.
- Work with CCE to **develop an outreach plan** and communicate with lenders
- **Launch the programs** – Goal launch date: October 1, 2025

Requested Feedback

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