

# Capital Repairs Pilot Program

The concept:  
Implement a fully-formed  
pilot program

Updated January 5, 2021





Most people's  
communication



What people  
think is  
"too much"



Actual good communication

# Why this might be good for Woody Creek Mobile Home Park

- Fast sale for homes where APCHA exercises Right of First Refusal
- Sellers may be more likely to get maximum resale value for home, if APCHA Board adopts current staff recommendation
- Increased revenues for WC Metro District
- Continuous improvement of homes in neighborhood

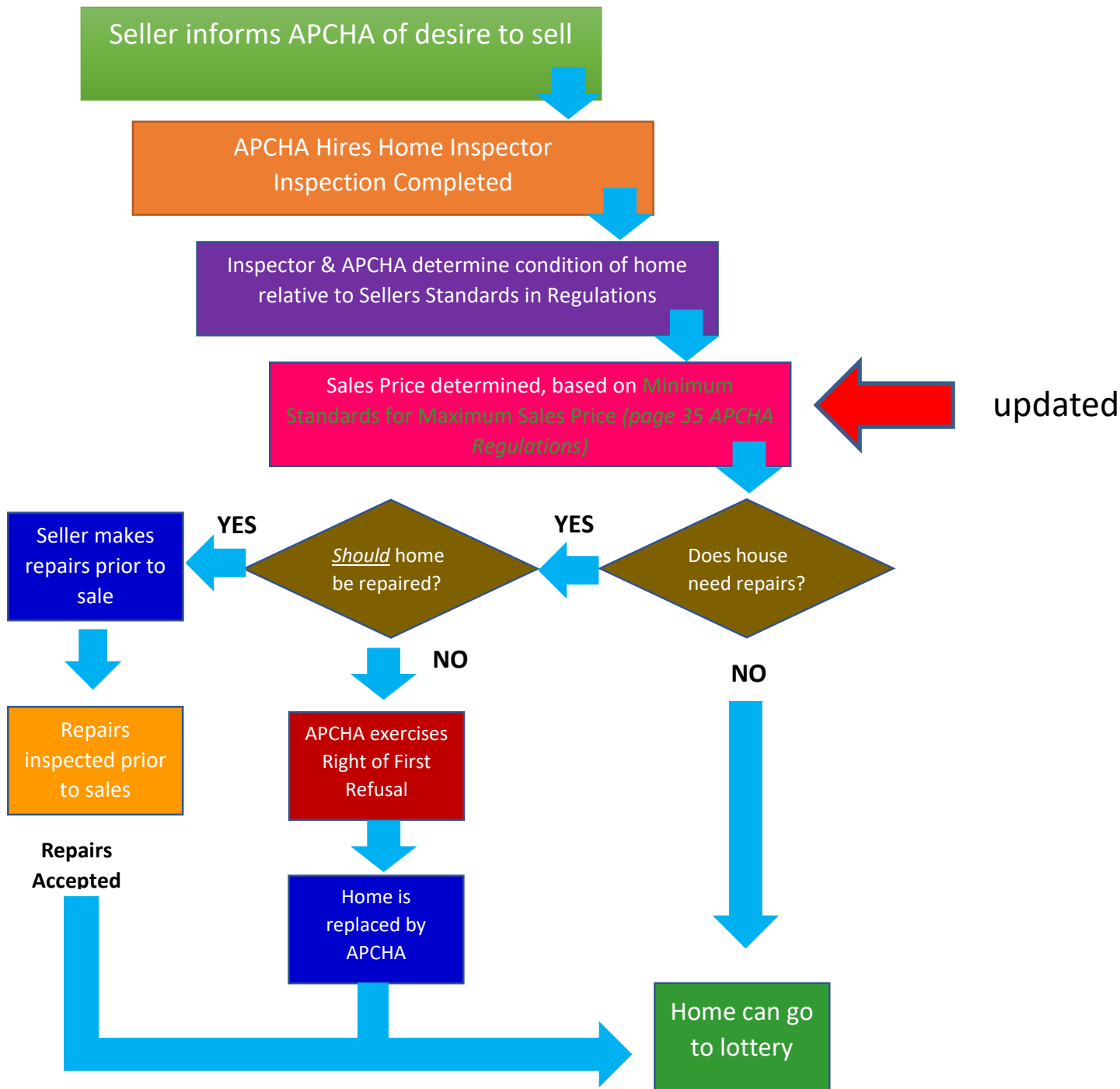


# Focus on Woody Creek Mobile Homes

Grouping	Recommended Approach	Number of Units
<b>Segment A:</b> Homes that are not subject to “APCHA Regulations as updated from time to time”	<ul style="list-style-type: none"> <li>APCHA has limited ability to affect these properties</li> </ul>	<i>We do not have a way to count these in HomeTrek</i>
<b>Segment B:</b> All Woody Creek & Smuggler Park mobile homes	<ul style="list-style-type: none"> <li>APCHA exercises right of first refusal</li> <li>APCHA brings property up to current standards and/or replaces mobile home</li> </ul>	<b>Roughly 75 total units; 58 Woody Creek and 17 Smuggler Park. <u>Approximately 36 Woody Creek homes are candidates for replacement.</u></b>
<b>Segment C:</b> Homes that are priced 40% or more below the median category value that need updating	<ul style="list-style-type: none"> <li>APCHA exercises right of first refusal</li> <li>APCHA brings property up to current standards</li> <li>Actual costs are added to the sales price</li> </ul>	Category 1: 0 Category 2: 5 Category 3: 5 Category 4: 49 Category 5: 14 ( <i>all Woody Creek</i> ) <u>RO: 23</u> <b>Total: 94</b> (or 80 w/o Woody Creek)
<b>Segment D:</b> Homes that inspector deems to have significant life/safety issues	After the inspection, Seller must make improvements under APCHA supervision (consider a loan program)	Unable to estimate this number until we see a sizable number of home inspections.
<b>Segment E:</b> Homes that inspector deems to be in good condition	Seller can sell the property in an APCHA lottery immediately	

# Why this pilot program?

1. Meet the **intent** of the future program: ensure the long-term sustainability of homes;
2. **Test** the entire **Capital Repairs process** *without hiring 2+ new staff members and without creating a process to hire & manage residential building contractors;*
3. **Test** proposed *changes to Sellers Standards*, including reduction of maximum resale price for homes that have not been maintained by owners;
4. **Focus** on one community allows staff to work with those community members to **improve proposal** and, on an ongoing basis, gather feedback to **improve program**.



# Minimum Standards for Maximum Sale Price

**IF** a Woody Creek mobile home park owner decides to sell their APCHA Deed-Restricted property, APCHA will only exercise its current Right of First Refusal if an inspection determines that the property should be replaced.

The APCHA Regulations allow a Seller to list a property for Maximum Sales Price if the property meets the Minimum Standards as defined in the regulations starting on page 35.

If a unit does not meet minimum standards, APCHA may, at its discretion, require that the cost of necessary repairs be deducted from the closing sale price, or that seller place into escrow the funds necessary to ensure satisfactory repairs. Any escrow balance remaining after necessary repairs are satisfactorily made shall be returned to seller.



*Implementing same program for current owners who do not want to sell their property, but would like to replace their mobile homes*

- Create a program that allows owners of mobile homes to replace their units without selling them;
- Owners would likely to refinance their homes to accommodate the cost of a new mobile home;
- If all 36 owners of properties that are candidates for replacement wanted to replace their homes and refinanced at the new home cost, up to \$636,000 – if there was no reduction in owner appreciation – the total new funds needed would be approximately \$534,236.
- OR – this program could be implemented for current owner without any commitment of public funds; current owners would be limited to replacement homes that do not exceed Maximum Resale Value for Category 5.



# **THREE EXAMPLES FROM WOODY CREEK**

# Property A: Least Expensive

- Property A was bought in 2007 for roughly \$85,000.
- It is now valued at \$140,000. There would be a potential appreciation of roughly \$55,000.
- The maximum sales price for a new category 5 home in the APCHA Regulations is \$636,000.
- This would allow APCHA to spend up to \$522,769 in the construction of a new modular home on site. APCHA estimates that it would cost \$325,000 to replace this unit.
- A new sales price could be \$465,000. This is well below the maximum sales price for a new home and assumes APCHA pays 100% of the maximum sales price and does not deduct from the price for condition of the unit.

# Property B: Middle

- Property B was bought in 2007 for roughly \$220,000.
- It is now valued at \$300,800. There would be a potential appreciation of roughly \$80,800.
- The maximum sales price for a new category 5 home in the APCHA Regulations is \$636,000.
- This would allow APCHA to spend up to \$335,200 for the construction of a new modular home on site. APCHA estimates that it would cost \$325,000 to replace this unit.
- A new sales price could be \$625,800. This is below the maximum sales price for a new home and assumes APCHA pays 100% of the maximum sales price and does not deduct from the price for condition of the unit.

# Property C: Most Expensive

- Property C was bought in 2006 for roughly \$398,400.
- It is now valued at \$540,300. There would be a potential appreciation of roughly \$141,900.
- The maximum sales price for a new category 5 home in the APCHA Regulations is \$636,000.
- This would allow APCHA to spend up to \$95,700. In the construction of a new modular home on site. APCHA estimates that it would cost \$325,000 to replace this unit.
- A new sales price could be \$865,000. This is above the maximum sales price for a new home and assumes APCHA pays 100% of the maximum sales price and does not deduct from the price for condition of the unit.
- IF APCHA wanted to keep this home within the Category 5 Maximum Price, the buy-down price would be \$229,300.

# Proposed Financial Model

	Purchase Year	Years Property Owned	Initial Purchase Price	Plus Max Appreciation (3%)	Equals Current Value (Max Sales Price; 3% appreciation)	Max Sales Price for Category 5	Max Sales Price Minus Current Value (What APCHA could spend)	Total Cost to scrape & replace	New Sales Price	New Sales Price % below Max Cat Price	\$ to buy down to Cat 5 Max
<b>Least Expensive: Property A</b>	2007	14	\$ 85,000	\$ 55,000	\$ 140,000	\$ 636,000	\$ 522,769	\$ 325,000	\$ 465,000	<b>-27%</b>	-
<b>Middle: Property B</b>	2007	14	\$ 220,000	\$ 80,800	\$ 300,800	\$ 636,000	\$ 335,200	\$ 325,000	\$ 625,800	<b>-2%</b>	-
<b>Most Expensive: Property C</b>	2006	15	\$ 398,400	\$ 141,900	\$ 540,300	\$ 636,000	\$ 95,700	\$ 325,000	\$ 865,300	<b>36%</b>	\$ 229,300

