



**REPORT TO MAYOR AND CITY COUNCIL**

AGENDA ITEM

TO: THE HONORABLE MAYOR  
AND CITY COUNCIL

DATE: June 17, 2008

SUBJECT: 2008 CalHome Program Application – First-Time Homebuyer Assistance Program and Housing Rehabilitation Program

**Report in Brief**

The State Department of Housing and Community Development (HCD) recently announced the availability of \$60 million in grant funds for affordable housing programs. The programs will provide funds for first-time homebuyer assistance and owner-occupied home rehabilitation. Both of these programs will increase the City's supply of affordable housing and have been highly utilized by Woodland residents. In order to seek the use of the State HCD funds, the City must submit an application that requires the City Council's adoption of the attached resolution.

Staff recommends that the City Council:

- Authorize submittal of an application requesting \$900,000 from the State Department of Housing and Community Development (HCD) CalHome Program;
- Adopt Resolution No. \_\_\_\_\_; and
- Authorize the City Manager to execute the application, the Standard Agreement, and all other documents required by HCD for participation in the CalHome Program.

**Background**

On April 18, 2008 the State Department of Housing and Community Development (HCD) announced the availability of approximately \$60 million to provide grant funding to local public agencies and nonprofit developers for affordable housing programs eligible under the CalHome Program. Many cities use the CalHome program to secure funding for first-time homebuyer mortgage assistance and owner-occupied housing rehabilitation. The program's flexibility makes it very attractive to jurisdictions seeking to increase their supply of affordable owner-occupied housing. As a result of the program's popularity and limited amount of funding, HCD's application process is very competitive.

City staff is preparing to submit an application package to HCD for CalHome funding in the amount of \$900,000. If awarded to the City, CalHome funds will be used to provide both first-time

homebuyer mortgage assistance and owner-occupied rehabilitation loans within the City limits. First-Time Homebuyer Mortgage Assistance comes in the form of loans to low-income homebuyers purchasing units. The typical loan terms are 3% simple interest for 35 years with payments deferred as long as the borrower occupies the house. If a unit is purchased in collaboration with another program, such as HOME, an affordability covenant will be placed on the property. With this other funding, upon transfer of title or sale, the borrower is required to sell to another eligible buyer at a price affordable to low-income households.

Low-income homeowners, those earning below 80% of Area Median Income (AMI), can be eligible for the Housing Rehabilitation loans. The typical loan terms for this program are that payments are deferred for five years with 3% simple interest. The loan is due and payable upon sale or transfer of title or if the owner-occupant vacates his/her unit for the purpose of renting the unit. The maximum loan amount allowed under the CalHome program is \$60,000 (including any activity delivery costs). Primarily, the funds are used to correct code violations and threats to health and safety.

If funded for the requested amount of \$900,000, it is anticipated that the funds will provide an average amount of \$40,000 in mortgage assistance to approximately 15 low-income homebuyers and an average amount of \$60,000 in rehabilitation loans to approximately five homeowners.

If approved, this will be the tenth time the City has applied for state funds for a First Time Homebuyer program, including HOME, CalHome, and BEGIN; and the first time the City has applied for state funds for the Housing Rehabilitation Program. To date, the City has made 35 first-time homebuyer loans with approximately \$2 million of state funds. In 2007, the City successfully applied for CalHome First-Time Homebuyer funds. To date, the City has closed four loans under this program and committed CalHome funds to five other households.

The attached resolution is required to be adopted by the City Council prior to the City's submittal of the CalHome application to HCD.

### **Discussion**

CalHome funds will not only facilitate the First-Time Homebuyer Program City wide but will create a consistent funding source for the City's Housing Rehabilitation Program to preserve the City's housing stock. If the City's application is approved, the funds will increase the options available to citizens seeking to buy their first house or Woodland residents who desire to stay in an older home that needs repair and rehabilitation.

### **Fiscal Impact**

This grant would have little impact on the budget. If awarded, the program allows the City to use approximately \$5,000 per loan for activity delivery costs as long as costs are justified, which should cover most of the staff time required. Any loan payments made by the borrowers will be returned to a city revolving loan fund to be used for additional loans.

**Public Contact**

Posting of the City Council Agenda. Also, the First Time Homebuyer Program and Housing Rehabilitation Program are widely advertised in local newspapers, on the city website, and in utility bill inserts.

**Alternative Courses of Action**

Alternative No. 1:

- Authorize submittal of an application requesting \$900,000 from the State Department of Housing and Community Development (HCD) CalHome Program;
- Adopt Resolution No. \_\_\_\_\_; and
- Authorize the City Manager to execute the application, the Standard Agreement, and all other documents required by HCD for participation in the CalHome Program.

Alternative No. 2:

- Cease further consideration of the CalHome Program.

**Recommendation for Action**

Staff recommends that the City Council approve Alternative No. 1.

Prepared by: Devon Horne  
Redevelopment/Housing  
Analyst

Reviewed by: Cynthia Shallit  
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP  
Assistant City Manager

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Mark G. Deven  
City Manager

Attachment: Resolution for CalHome Program Application

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND  
AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA  
STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR  
FUNDING UNDER THE CALHOME PROGRAM; THE EXECUTION OF A  
STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING AND ANY  
AMENDMENTS THERETO; AND ANY RELATED DOCUMENTS NECESSARY TO  
PARTICIPATE IN THE CALHOME PROGRAM.**

WHEREAS:

- A. The City of Woodland, a political subdivision of the State of California or nonprofit public benefit corporation, wishes to apply for and receive an allocation of funds through the CalHome Program; and
- B. The California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") for the CalHome program established by Chapter 84, Statutes of 2000 (SB 1656 Alarcon), and codified in Chapter 6 (commencing with Section 50650) of Part 2 of Division 31 of the Health and Safety Code (the "statute"). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature to the CalHome program, subject to the terms and conditions of the statute and the CalHome Program Regulations adopted by HCD in April 2004; and
- C. The City of Woodland wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of \$900,000.

IT IS NOW THEREFORE RESOLVED THAT:

1. The City of Woodland shall submit to HCD an application to participate in the CalHome Program in response to the NOFA issued on April 18, 2008 which will request a funding allocation for the following activities:

First-Time Homebuyer Mortgage Assistance for approximately \$600,000 and located within the city limits of Woodland.

Owner-Occupied Rehabilitation for approximately \$300,000 and located within the city limits of Woodland.

2. If the application for funding is approved, the City of Woodland hereby agrees to use the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program regulations cited above. It also may execute any and all other instruments necessary or required by HCD for participation in the CalHome Program.

3. The City of Woodland authorizes Mark G. Deven, or his designee, to execute in the name of the City of Woodland, the application, the Standard Agreement, and all other documents required by HCD for participation in the CalHome Program, and any amendments thereto.

4. The City of Woodland authorizes the Finance Director to augment the city budget and take any action necessary to allocate funds in accordance with the CalHome regulations.

**PASSED AND ADOPTED** this 17<sup>th</sup> Day of June, 2008, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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David Flory, Mayor

ATTEST:

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Sue Vannucci, City Clerk

The undersigned Sue Vannucci, City Clerk of the City of Woodland there before named does hereby attest and certify that the foregoing is a true and full copy of a resolution of the Governing Board adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended or repealed.

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Signature

Date