



**REPORT TO REDEVELOPMENT AGENCY
BOARD**

AGENDA ITEM

TO: REDEVELOPMENT AGENCY BOARD

DATE: May 19, 2009

SUBJECT: Use of Redevelopment Housing Set-aside for Homebuyer Assistance

Report in Brief

Over the past three years, the City of Woodland has conducted a very successful homebuyer assistance program. To date 59 homes have been sold under the City's program in the last three years; however, 25% of the Spring Lake affordable homes have been lost because the time limit for the developer and the City to find qualified affordable buyers elapsed. An essential element of the program is the City's ability to provide mortgage assistance to these buyers with funds from various grant programs. Over the past three years the City has received grants from the State HOME, BEGIN and CalHOME programs. However, due to increased competition in funding requests, these grant funds have diminished, and the City was not awarded any grants last year. In response to this situation, staff has identified a potential alternative funding that would provide a short term solution.

Staff recommends that the Redevelopment Board approve Resolution No. ____ authorizing the use of \$120,000 of Redevelopment Housing Set-aside for homebuyer assistance, amending the budget as needed to implement this action, giving the Affordable Housing Subcommittee the power to approve the details of the program, and giving the Executive Director the ability to enter into any agreements as needed to implement this action.

Background

As part of the Spring Lake Specific Plan, the City implemented an Inclusionary Housing Program. This program requires that ten percent (10%) of all single family zoned properties in Spring Lake be made available to low income families. In December of 2007, the City Council approved changes to the Spring Lake Affordable Housing Program that would allow moderate income households to participate as well. To date the program has helped 59 families buy homes or enter into contracts to purchase homes. In Attachment I, the number of units sold is shown, as well as the number of units lost. The chart also shows grant funds used, and the amount of the silent second loans. These funds will be returned to the City to continue the program as homes are sold and loans repaid.

An important component to the program has been the City's ability to secure grant funds for first-time homebuyer activities. These include State and Federal funding sources from the HOME,

BEGIN, and CalHOME programs. Since 2005, the City has received over \$2.5 million for these homebuyer activities. In addition, the City Council approved the use of Community Development Block Grant (CDBG) funds as well. Even though staff has been successful using these past resources, the City did not receive grant funding last year. Due to increased competition, the City of Woodland's applications scored lower than those of larger cities such as Sacramento, San Francisco and Los Angeles. Even though the flow of grant funding has slowed, the amount of units being released by the Spring Lake Developers has not.

Discussion

Under Redevelopment Law, twenty percent (20%) of gross tax increment revenue has to be set aside to provide housing units for low and moderate income households. Generally this requirement is meant to be fulfilled within the Redevelopment Project Area; however, at time of plan adoption, a Redevelopment Agency can make a finding that affordable housing outside the Project Area results in a positive impact on the Agency's activities and therefore can be spent beyond the redevelopment area boundaries. Woodland chose this finding at time of plan adoption in 1988. This allows the Redevelopment Agency to use its set-aside funds outside the Redevelopment Project Area.

The Agency used this option in 2008 when staff was allowed to spend approximately \$100,000 in set-aside funds on the Fair Plaza Apartments Project. This \$7 million project was an acquisition and rehabilitation of 68 senior housing units. Even though Fair Plaza only required a small amount of Tax Increment funds to complete the project, this was an isolated case. Generally this type of project would require a much greater financial commitment from the local jurisdiction. One reason that the Agency made the finding for spending these funds outside of the area is that a large portion of the project area has already been built out with single family homes. There are few parcels available in the Redevelopment Area to accommodate a rental project.

Another reason to use these funds to fund homebuyer loans is the amount available to the City. Currently there is approximately \$350,000 in Housing Set-aside funds available. In addition, the Agency receives approximately \$300,000 a year that is used for administration and projects. Even though this may seem like a large amount, if the Agency was to accumulate the funds to do a rental project, it would take at least five years to get a reasonable amount of money to make any sort of impact. Most affordable rental housing projects require at least \$2 million dollars of local subsidy in addition to being typically financed through tax credits, bond financing, and HOME grants or other State or Federal grant funding programs. In addition, in the past the State has looked at seizing unencumbered set-aside funds as a means to help close funding gaps. By committing these funds to homebuyer assistance, the Agency can avoid a possible funding grab by the State.

Although staff has managed to get almost 60 families into homes, the City has lost affordability on 21 units (26% of all affordable units) because there is a 210 day limit for the City to find affordable buyers before the builders are allowed to sell the units on the open market. Currently, there are 9 units still available for sale. If all 9 of these units are lost, it will put the programs lost ratio at 33%, which staff feels is unacceptable. However, staff does believe that with recent intensified marketing

and improvements in the processing of borrowers, the likelihood of this happening has been greatly reduced if funding is available.

As mentioned above, it has been difficult to secure additional funding for homebuyer activities. By using these funds, it will allow the Agency to continue to place low and moderate income families into homeownership opportunities in Spring Lake. The request of \$120,000 in this report is to stave off the potential loss of four (4) KB Units that expire on June 1st. This will at least give staff and the Board time to develop a long term solution on how to deal with the lack of homebuyer assistance funding. It should be noted that even if funds are committed at this time, based on the time it takes to construct the units, the funds are not disbursed generally until six months after the unit goes into contract. This is important because if there is an award of homebuyer assistance funds from other sources in this time frame, staff will swap out the tax-increment funds with the other grant funds.

The recommendation in this report suggests a short-term solution due to the urgency of the situation. However, staff will be reviewing other options such as the long term use of Housing Set-aside funds for Homebuyer Assistance. This option will be evaluated within the context of the Redevelopment Agency 10-Year Financial Plan. If feasible, staff would return to the Council with a recommendation at a future date.

Fiscal Impact

The fiscal impact of this proposal would be up to \$120,000 of Redevelopment Housing Set-aside Tax Increment.

Public Contact

This proposal was discussed at the Affordable Housing Subcommittee meeting that was attended by only one member of the Subcommittee, Mayor Davies. The City Council agenda was posted.

Alternative Courses of Action

1. Staff recommends that the Redevelopment Board approve Resolution No. ____ authorizing the use of \$120,000 of Redevelopment Housing Set-aside for Homebuyer assistance, amending the budget as needed to implement this action, giving the Affordable Housing Subcommittee the power to approve the details of the program, and giving the Agency Executive Director the ability to enter into any agreements as needed to implement this action.
2. Cease further consideration of the use of these funds for homebuyer activities and discontinue the homebuyer assistance program.

Recommendation for Action

Staff recommends that the Redevelopment Board approve Alternative No. 1.

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Reviewed by: Cynthia Shallit
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP
Deputy Director

Mark G. Deven
Executive Director

Attachment I: Homebuyer Activity Chart

Attachment II: Resolution approving the use of \$120,000 of Redevelopment Housing Set-aside for Homebuyer Assistance.

Program Summary		Updated 4/28/2009							
Developer	Affordable Obligation	Units at Risk	Units Sold	Units Lost	Remaining Obligation	Total Appraised Value of Sold Units	Total Silent Seconds	Total Subsidies	
Monley Cronin	10	0	9	1	0	\$2,582,600	\$866,919	\$270,000	
Russell Ranch	10	0	10	0	0	\$3,118,500	\$1,151,950	\$360,000	
KB	42	4	23	12	7	\$6,052,440	\$1,787,296	\$915,780	
Centex	39	14	15	4	20	\$3,364,990	\$1,046,380	\$555,000	
Meritage (Pioneer Investc	6	0	0	0	6	\$0	\$0	\$0	
Rick Price	2	0	0	2	0	\$0	\$0	\$0	
TOTAL	109	18	57	19	33	\$15,118,530	\$4,852,545	\$2,100,780	

Funding Summary		Updated 3/9/2009			
Funding Sources	HOME	CalHome	BEGIN	Other	Totals
Monley Cronin	\$0	\$0	\$270,000	\$0	\$270,000
Russell Ranch	\$60,000	\$0	\$300,000	\$0	\$360,000
KB	\$287,000	\$272,917	\$240,000	\$115,863	\$915,780
Centex	\$475,000	\$20,000	\$60,000	\$0	\$555,000
Totals	\$822,000	\$292,917	\$870,000	\$115,863	\$2,100,780

RESOLUTION NO. _____
RESOLUTION OF THE REDEVELOPMENT AGENCY BOARD OF THE CITY
OF WOODLAND TO AUTHORIZE THE USE OF REDEVELOPMENT TAX
INCREMENT FOR HOMEBUYER ASSISTANCE

WHEREAS, the City of Woodland has implemented an Inclusionary Housing Program that is staffed by the Redevelopment Agency to provide affordable homeownership opportunities to low and moderate income households ; and

WHEREAS, the City and Agency has received funds to assist homebuyers in the past; and

WHEREAS, staff has been unsuccessful in securing grants over the last year; and

WHEREAS, the Agency has funds available through the Redevelopment Tax Increment Housing Set-aside; and

WHEREAS, allowing the use of this funding source for homebuyer assistance will create a stable source of funding to continue the City's affordable housing programs;

NOW, THEREFORE, BE IT RESOLVED, the Redevelopment Agency Board approves authorizing the use of \$120,000 of Redevelopment Tax Increment Housing Set-aside for homebuyer assistance, amending the budget as needed to implement this action, giving the Affordable Housing Subcommittee the power to approve the details of the program, and giving the Executive Director the ability to enter into any agreements as needed to implement this action.

PASSED AND ADOPTED this 19th day of May, 2009 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. "Skip" Davies, Mayor

ATTEST:

Sue Vannucci, City Clerk

APPROVED AS TO FORM:

Andrew Morris, City Attorney