

**CITY OF OAKLAND
AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2003 SEP 25 PM 2:30

TO: Office of the City Manager
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: September 30, 2003

RE: RESOLUTION AUTHORIZING THE CITY MANAGER TO APPLY FOR, ACCEPT AND APPROPRIATE UP TO \$1 MILLION FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) FOR GRANT FUNDING FOR FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE AND TO APPROVE OTHER RELATED ACTIONS

SUMMARY

A resolution has been prepared to authorize staff to submit an application to the California Department of Housing and Community Development (HCD) for a grant of up to \$1,000,000 from the CalHome Program. If the application to California HCD is successful, these funds will be used to finance First-Time Homebuyer Mortgage Assistance programs. Funds will be available for three years. The CalHome Program regulations allow for varied program design. The CalHome loan application is due October 8, 2003.

This resolution authorizes the City to:

- apply to the California Department of Housing and Community Development (HCD) for a CalHome grant in an amount not to exceed \$1 million,
- enter into an agreement with the California Department of Housing and Community Development for use of the funds.

FISCAL IMPACT

If this resolution is approved, staff will submit a grant application of up to \$1,000,000 to the California Department of HCD CalHome program. If this grant is awarded, the loans to first time homebuyers will have a simple interest rate of 0-3% and be deferred for thirty (30) years. There is no match requirement and existing staff can administer the program.

BACKGROUND

Increasing homeownership in Oakland is an objective of the Mayor and the City Council Goal #3 for 2003-2005: improve Oakland neighborhoods. Homeownership has been a major focus of the City's efforts since the beginning of its housing programs. The City has developed and implemented a variety of programs to provide homeownership over the past decade and has invested considerable funds and staff time to programs that support, stabilize and expand

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Oakland's stock of owner-occupied housing and promote affordable homeownership opportunities.

The City's existing Mortgage Assistance Program for First Time Homebuyers receives \$2.5 million each fiscal year to provide low-interest loans of up to \$50,000 to lower-income households. The funds are usually exhausted during the first seven months. The recommendation in this report will enable the City to increase the funding available for mortgage assistance to first time homebuyers. Specifically, additional funds will be available to expand the Mortgage Assistance Program for First-Time Homebuyers and provide funding to additional borrowers and provide an additional subsidy to the Section 8 Homeownership program.

KEY ISSUES AND IMPACTS

The need for mortgage assistance is greater than the funds available.

The City administers a Mortgage Assistance Program for First-Time Homebuyers. Demand is high for the program and funds are often exhausted during the first seven months of the program year. Additionally, the Oakland Housing Authority is developing a Section 8 Homeownership program. Most of these clients will need access to subsidies to assist them in qualifying to become homeowners. In response to the lack of funds available and the need to expand homeownership opportunities, staff continually investigates opportunities to increase funding that may be available to assist first-time homeowners. Programs such as CalHome provide an additional source of funds that will expand our resources and require relatively little staff time to administer.

PROGRAM DESCRIPTION

California Department of Housing and Community Development CalHome Program

Through a competitive application process, the CalHome program offers a grant of up to \$1 million to local government agencies for

- First-Time Homebuyer Mortgage Assistance
- Owner-Occupied Rehabilitation
- Homeownership Project Development Loans

This grant requests funds for First-Time Homebuyer Mortgage Assistance. Applicants have a high degree of flexibility in shaping the program for which they propose to use the CalHome funds. CalHome staff has confirmed that government agencies may structure their Mortgage assistance programs any way they chose as long as the borrowers are low-very low income households whose incomes do not exceed 80% of the county median income. No matching funds are required. No payments are made to the State unless the City fails to use all the funds within three years.

Proposals are evaluated on the basis of a set of criteria that includes the following:

- Ability to operate the program based prior experience

- Community need based on U.S. Census Bureau data regarding the percentage of low-income homeownership.

Use of CalHome Loan

The need for funds for the mortgage assistance program is discussed above. If the recommendation in this report is approved, and the application for a CalHome loan is successful, the CalHome funds will be used to make low-interest, deferred mortgage assistance loans for low-income first time homebuyers and increase the number of homeowners in the City. The terms for the borrowers are a simple interest rate of 0-3% and a term of up to 30 years, with annual payments deferred, payable on sale or transfer of the homes, or when they cease to be owner-occupied, or at maturity. All City loans will be secured by a deed of trust recorded on the property. Funds would be available on a first-come, first-serve basis.

SUSTAINABLE OPPORTUNITIES

If the application for CalHome funds is authorized as recommended, and the loan is granted by the California Department of Housing and Community Development, the following sustainable opportunities will be realized:

- Economic: Expanded housing opportunities for families, seniors and disabled people in Oakland.
- Environmental: There are no environmental opportunities or issues associated with these actions.
- Social Equity: The use of CalHome funds proposed in this report will promote social equity by enabling low-income families to become homeowners in safe and decent housing.

DISABILITY AND SENIOR CITIZEN ACCESS

Homeownership has a positive impact on the quality of life for families and residents and the neighborhood through pride of ownership. If awarded, the CalHome funds will be used to expand homeownership opportunities for lower-income households. There are no direct accessibility impacts to seniors or people with disabilities related to this report.

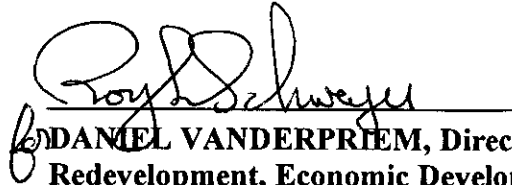
RECOMMENDATION AND RATIONALE

Funds for mortgage assistance programs are increasingly limited, while the demand for such funds is growing. The California Department of Housing and Community Development's CalHome program offers an inexpensive opportunity to increase the amount of local funding available for first time homebuyers. Therefore, staff recommends that the City Council authorize the City Manager to apply for, accept, and appropriate up to \$1 million from the California Department of Housing and Community Development's CalHome program to assist in providing mortgage assistance to lower-income first time homebuyers.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve the attached resolution authorizing the City Manager to apply for, accept, and appropriate up to \$1 million from the California Department of Housing and Community Development CalHome Program to fund mortgage assistance programs for first time homebuyers.

Respectfully submitted,


DANIEL VANDERPRIEM, Director
Redevelopment, Economic Development and
Housing and Community Development

Prepared by:
Roy L. Schweyer, Director
Housing & Community Development Division
Jackie Campbell, Program Manager

APPROVED AND FORWARDED TO
THE CITY COUNCIL


OFFICE OF THE CITY MANAGER

Attachments

Jc\homeownership\calhomereport.doc

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FILED
OFFICE OF THE CITY CLERK
APPROVED AS TO FORM AND LEGALITY:
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Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY MANAGER TO APPLY TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) FOR GRANT FUNDING IN AN AMOUNT NOT TO EXCEED \$1 MILLION FOR FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE , AND TO APPROVE OTHER RELATED ACTIONS

WHEREAS, the California Department of Housing and Community Development announced the availability of CalHome program funds for grants up to \$1 million to local government agencies for first-time homebuyer mortgage assistance; and

WHEREAS, there is substantial need for additional funds to assist in providing mortgage assistance to low-to lower-income first-time homebuyers in Oakland; and

WHEREAS, no matching funds are required for the CalHome program; and

WHEREAS, funds from the CalHome program will be used to expand the City's existing Mortgage Assistance Program; now, therefore, be it

RESOLVED: That the City Manager or his or her designee is authorized to submit an application to the California Department of Housing and Community Development CalHome program for up to \$1 million in grant funds to be used to assist very low to lower-income first-time homebuyers; and be it further

RESOLVED: That the City Manager or his or her designee is authorized to accept the California Department of Housing and Community Development CalHome program funds, if awarded, deposit in they California Department of Housing and Community Development fund (Fund 2144), and appropriate said funds to first-time homebuyer activities to be used specifically to assist very low to lower-income citizens; and be it further

RESOLVED: That the Standard Agreement between the City and the California Department Housing and Community Development shall be reviewed and approved by the City Attorney's Office for form and legality prior to execution, and copies will be placed on file with the City Clerk; and be it further

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RESOLVED: That the City Council hereby appoints the City Manager and his or her designee as agent of the City to conduct negotiations, execute documents, and take any other action, including negotiating amount, terms, and conditions of the loans to homebuyers, with respect to the California Housing and Community Development CalHome program consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

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