




# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Shola Olatoye  
Director, Housing &  
Community Development  
Department

**SUBJECT:** CalHome 2021 Grant Application

**DATE:** October 18, 2021

City Administrator Approval 

Date: Nov 2, 2021

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Apply For, Accept, And Appropriate Grant Funds From The California Department Of Housing And Community Development CalHome 2021 Notice Of Funding Availability In An Amount Not To Exceed \$5 Million.**

## **EXECUTIVE SUMMARY**

Staff recommends the City Council adopt a resolution authorizing staff to submit an application to the California Department of Housing and Community Development (CA-HCD) for a grant from the CalHome Program. If the application is successful, the awarded grant funds will be used to make first-time homebuyer mortgage assistance loans. The CA-HCD 2021 CalHome Notice of Funding Availability (CalHome NOFA) application due date is November 22, 2021.

This resolution authorizes the City to:

- Apply to CA-HCD for a CalHome grant in an amount not-to-exceed the program maximum of \$5 million,
- Enter into a funding agreement with CA-HCD if the City is awarded program funds, and
- Accept and appropriate those funds to fulfill the program purpose of providing first-time homebuyer mortgage assistance.

The 2021 CalHome NOFA announcement was released on September 23, 2021 and applications are due on November 22, 2021. The short lead time requires action by the November 16, 2021 City Council meeting or the opportunity to apply will be missed.

## **BACKGROUND / LEGISLATIVE HISTORY**

The City Council has authorized staff to apply for the CalHome grant eight times in the past, in 2020, twice in 2019, 2014, 2013, 2010, 2007, and 2003. Of those, four applications for Mortgage Assistance received awards totaling \$2,575,000 and one application for Accessory

City Council  
November 16, 2021

Dwelling Units received a \$3,000,000 award. The City's Housing and Community Development Department (HCD) has currently suspended the Oakland CalHome Mortgage Assistance Program due to lack of funds, and the Oakland CalHome Accessory Dwelling Unit program is in development.

Since 1993, the City has developed and implemented a variety of programs to encourage and facilitate homeownership and has invested considerable funds to programs that increase and promote affordable homeownership opportunities. Increasing homeownership rates helps to stabilize neighborhoods and slow the effects of community gentrification by providing long-term housing affordability.

The City has operated the Oakland CalHome Mortgage Assistance Program to assist low-income first-time homebuyers since 2007. The program is popular with homebuyers, community lenders, and buyers' agents, and as of September 21, 2021 seventy-four (74) households have received assistance through this program to purchase their homes.

CalHome was created by Senate Bill (SB) 1656, Chapter 84 of the Statutes of 2000, which took effect on July 5, 2000 to add Chapter 6, commencing with Section 50650, to the California Health and Safety Code (HSC). The first CalHome NOFA was issued in November 2000, with the first funding awarded in April 2001.

Effective September 2019, CA-HCD authority to operate the CalHome program was revised under SB 3 (Chapter 365, Statutes 2017) authorizing the Veterans and Affordable Housing Bond Act of 2018. SB 3, adopted by voters on November 6, 2018 (Proposition 1), authorizes the issuance of \$300 million of State General Obligation Bonds for the CalHome program. The bill also provided that CA-HCD may adopt guidelines establishing program requirements that would only apply to funds awarded by Proposition 1.

CA-HCD's stated program purpose is to deploy funds to "assist the existing local homeownership programs aimed at lower and very low-income households in order to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize the use of existing homes."

## **ANALYSIS & POLICY ALTERNATIVES**

Award of the 2021 Calhome grant would provide funding to operate the Oakland CalHome Program, which expands the availability of affordable homeownership options for low-income Oakland households. Should the City not apply, it will forego an opportunity to receive funding to assist low-income residents.

### **Past and Current First-Time Homebuyer Activity**

The \$2,575,000 in CalHome Mortgage Assistance program funds previously provided to the Oakland CalHome program resulted in down payment assistance for seventy-four (74) low-income families (households earning up to 80 percent of Area Median Income, or AMI) to purchase their first home in Oakland. Thirty-two percent (32%) of Oakland CalHome loans benefit Section 8 homebuyers, a demographic that is among the most vulnerable.

The last CalHome grant award for homebuyer Mortgage Assistance received by Oakland was \$1.5 million in 2010. This award was fully expended on December 13, 2013, after which the program was suspended due to lack of funds. Since December 14, 2013, eleven (11) additional CalHome loans were made using program Re-Use funds (sourced from loan repayment revenues).

During the same time period, the City operated three other down payment assistance programs:

- Mortgage Assistance Program (MAP) - funded 145 loans,
- Shared Appreciation Mortgage (SAM) – funded 17 loans,
- Building Equity and Growth in Neighborhoods Program (BEGIN) – funded 12 loans.

There is currently no funding available under the City's First Time Homebuyer, MAP, SAM and BEGIN programs. The City's CalHome Mortgage Assistance grants are fully expended and inactive. Currently there is a balance of \$15,051 in CalHome funds (from repaid CalHome loans previously re-appropriated to the ReUse account), and the program is effectively inactive (suspended) pending funds replenishment.

Despite discontinued funding, interest in the City's programs remains strong, as evidenced by frequent public inquiries regarding program funding availability. Interest in the City's First-time Homebuyer Programs has increased in the last few years as rents have increased. Many residents face being priced-out of Oakland by rapidly rising rents and home prices, and the tight supply of affordable rental housing.

The CalHome program funds are an important supplement to the flagship City-funded Homeownership Program Mortgage Assistance Program (MAP), thereby increasing the number of buyers that can be assisted. Additionally, when MAP funds run out (as is the case currently), CalHome funds can continue to provide critical down payment assistance to those most in need (those with incomes below 80 percent of AMI). Funding for this income band is also critically important to providing opportunity to Section 8 buyers.

Staff has requested reallocation of accumulated repayment revenues on a periodic basis to increase the program's capacity to make new loans as per the program's design.

### **Policy Alignment**

Operating the Oakland CalHome program supports HCD's Budget Objective to "Expand anti-displacement programs, policies and initiatives focused on most vulnerable populations" (Source [FY 2021-23 Adopted Policy Budget: Objectives](#)). This program also advances the Citywide Priority of **housing, economic and cultural security**.

The recommendation to apply is shaped in part by the Racial Equity Impact Analysis findings showing the program's effectiveness in addressing mortgage lending disparities in Oakland, increasing affordable housing opportunities, and reducing burdens for the Black, Indigenous and people of color (BIPOC) communities most heavily impacted by lending and housing disparities.

**Table 1** provides an analysis of HCD's past distribution of CalHome loans (includes all CalHome loans closed through September 21, 2021). It is anticipated that if grant funds are

awarded, or program revenue is reallocated to make new loans, that the communities served will reflect a similar distribution with 70 percent of loan funds serving communities of color.

**Table 1: Program Funds Distribution Through September 21, 2021**

RACE			ETHNICITY	
Percentage	Count		Hispanic	Non-Hispanic
45%	33	African American	0	33
30%	22	White (Non-Hispanic)	0	22
12%	9	Asian/PI	0	9
9%	7	Hispanic	7	0
3%	2	Other/Multiple Race	0	2
1%	1	Native American	0	1
0%	0	Decline to Answer	0	0
<b>100%</b>	<b>74</b>	<b>TOTAL</b>	<b>7</b>	<b>67</b>

Based on the historical data and the Racial Equity Impact Analysis findings, the proposed loan funds are expected to result in a majority of assistance being distributed to historically underserved BIPOC communities, thereby advancing the City’s racial equity policy goals.

Through a competitive application process, the CalHome NOFA offers a grant of up to \$5 million to local jurisdictions. Grant applicants have flexibility in shaping the program for which they propose to use the CalHome funds as long as State program guidelines are met. One of these guidelines is that eligible borrowers must be lower income, having household incomes no higher than eighty percent (80%) of AMI.

The Oakland CalHome Program has been successful in structuring the program to provide gap loans to households at or below eighty percent (80%) of AMI, with interest rates of up to three percent (3%) simple interest and payments deferred for the 30-year term. No matching funds are required.

Proposals are evaluated on criteria which include the following:

- Capability to operate the program demonstrated by prior experience.
- Community need, based on the percentage of low-income households overpaying for their housing, and the percentage of low-income homeowners as reflected in U.S. Census data.
- Feasibility of the proposed program demonstrated by the extent to which the proposed program is responding to a community need and demonstrates a likelihood of success.

### **Use of CalHome Funds**

If the resolution is approved and the application for a CalHome loan is successful, the CalHome funds will be used to make low-interest, deferred-payment mortgage assistance loans to low-income, first-time homebuyers.

Staff recommends the following program options to serve targeted households:

1. A simple interest rate of three percent (3%), consistent with the City's existing loan programs.
2. A 30-year loan, with annual payments deferred, and payable upon sale or transfer of the home, or when the property ceases to be owner-occupied, or at maturity.
3. The maximum amount of the CalHome Program assistance of \$100,000 per household as allowed under the CalHome NOFA.
4. The assistance loans will be evidenced by a Promissory Note.
5. The loans will be secured by a deed of trust recorded on the property.
6. Funds will be made be available on a first-come, first-served basis.

Although the maximum loan amount possible under the CalHome NOFA is \$5 million, staff proposes to apply for less than the maximum permitted to optimize the chances for an award. If awarded \$1.1 million, the program could fund 11 mortgage assistance loans of \$100,000 within the three (3) years allotted in the CalHome standard contract period.

It is worth noting that the current CalHome NOFA scoring continues to be weighted against areas of the state with higher housing costs, including Oakland. However, even so, the City's previous applications came relatively close to receiving funding, and each application round may yield a different point cutoff for funding depending on which other jurisdictions apply. In 2020 as well as for this upcoming 2021 round, the City's expected score is 78 points. The cutoff for funding in 2019 was 84 points, and in 2020 was 79 points. As one of the few funding sources for affordable homeownership available, staff is confident that if awarded, the City could successfully deploy the funds to assist Oakland residents.

### **FISCAL IMPACT**

If awarded funds, the City would receive a grant in an amount not to exceed \$5 million from the CA-HCD CalHome program for the purpose of making mortgage assistance loans pursuant to the Oakland CalHome program guidelines. Funds will be deposited into the California Department of Housing and Community Development Fund (Fund 2144). **Table 2**, below, provides the funding sources and amounts.

**Table 2: Project Funding Codes**

<b>Fund Source</b>	<b>Organization</b>	<b>Account</b>	<b>Project</b>	<b>Program</b>	<b>Amount</b>
California Housing & Community Development	Homeownership Programs	Loan Expenditures: Grant-Funded	CalHome Program	Home Ownership	
2144	89989	58311	New Project Code TBD	NB32	Not to exceed \$5,000,000

There is no match requirement, and existing staff will administer the program. Since 2012, the City First Time Homebuyer programs are operated by one full-time Housing Development Services (HDS) staffer, a fraction of one full-time HDS administrative assistant, and oversight by the HDS manager.

## **PUBLIC OUTREACH / INTEREST**

There was no public outreach conducted regarding this agenda report and legislation due to the limited time between the September 23, 2021 grant announcement and the submission timeline leading up to the agenda package due date. However, City staff continue to receive frequent calls and emails from prospective homebuyers, lenders, housing counselors, and real estate professionals inquiring when program funds will be made available to operate these vital programs once again.

The Bridge Association of Realtors, a local realtor association, convened a Minority Task Force in July 2020 to review the status of the City's First Time Homebuyer Assistance Programs, including the Oakland CalHome Program. The group's recommendations resulted in the Association providing a letter of support for the City's First Time Homebuyer Programs citing their importance in assisting low-resource community members to not only stabilize their housing and strengthen community ties, but also to build intergenerational wealth (**Attachment A**). In 2021, the group in has continued its targeted focus on activities to expand Black homeownership opportunities including advocating for resources that fund those activities.

**Attachment B** is a second letter of support, from the Legislative Committee at Associated Real Property Brokers (ARPB). ARPB is the Oakland Chapter of the National Association of Real Estate Brokers (NAREB) which was formed in 1947 out of a need to secure the right to equal housing opportunity, regardless of race, creed, or color. One of ARPB's key initiatives is in addressing obstacles to Black homeownership through partnerships and advocacy with local governments and nonprofits. ARPB members have for many years partnered with the City's Homeownership Programs at collaborative educational and outreach events.

## **COORDINATION**

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** Expanding affordable homeownership opportunities for low-income families, seniors and Oakland's disabled community, in addition to expanding economic opportunity and increasing family wealth.

**Environmental:** Expanding homeownership opportunities close to employment centers reduces greenhouse gas generation by avoiding long auto commutes from less expensive, geographically distant communities. Less bay area commuting translates into healthier air for all community members.

**Race & Equity:** The use of CalHome funds as proposed in this report promotes equity by providing assistance to low-income families to become homeowners. Seventy percent of the loans are anticipated to go to BIPOC borrowers, advancing the City's racial equity goals (see **Table 1** above). Homeownership has a positive impact on the quality of life for families,

residents and their neighborhoods through stabilized community bonds, pride of ownership, and increased stability and wealth.

The City's provision of down payment assistance serves to counter the imbalance in mortgage lending which is underrepresented in credit extended to disadvantaged communities. Federal data show that communities of color and low-income communities receive less mortgage financing than more privileged groups. Of the seventy-four (74) CalHome loans made, 70 percent assisted households where the primary borrower self-identified as a person of color, and 100 percent assisted low-income households with incomes not exceeding 80 percent of AMI. Mortgage assistance demonstrably expands opportunities for disadvantaged buyers to secure stable and permanently affordable housing.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends that the City Council adopt a Resolution authorizing the City Administrator to apply for, accept, and appropriate grant funds from the California Department of Housing and Community Development CalHome 2021 Notice Of Funding Availability in an amount not to exceed \$5 million.

For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Manager at 510-238-3623, or Nicki Duesberg, Homeownership Programs Coordinator at 510-238-6158.

Respectfully submitted,

*Shola Olatoye*

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Department

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Attachments (2):

- A. Bridge Realtor's Association August 28, 2020 letter of support for the City's Mortgage Assistance Program (MAP). *MAP assists both low- and moderate-income first-time homebuyers, the program loan terms and requirements are in close alignment with the Oakland CalHome Program.*
- B. Legislative Committee at Associated Real Property Brokers' (ARPB's) October 15, 2021 letter of support for increasing opportunities for low to moderate income and underserved Black residents to obtain the dream of homeownership.