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OFFICE OF THE CITY CLERK  
OAKLAND

2014 MAY 29 PM 2:56 **AGENDA REPORT**

**TO:** FRED BLACKWELL  
CITY ADMINISTRATOR

**FROM:** Michele Byrd

**SUBJECT:** CalHome Grant Application

**DATE:** May 7, 2014

City Administrator  
Approval

Date

5/22/14

**COUNCIL DISTRICT:** City-Wide

**RECOMMENDATION**

Staff requests 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 In An Amount Not To Exceed \$1 Million Under The CalHome Program For First-Time Homebuyer Mortgage Assistance Programs**

**EXECUTIVE 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 fund first-time homebuyer mortgage assistance loans. CalHome Program regulations allow for varied program design and funds will be available for three years. The CalHome loan application is due July 10, 2014. No City matching funds are required for this grant program.

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; and
- Enter into an agreement with the California Department of Housing and Community Development for use of the funds.

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Community and Economic Development Committee

June 10, 2014

## **OUTCOME**

Approval of the resolution will allow for the application of grant funds in the amount not to exceed \$1 Million to provide loans to assist low-income first-time homebuyers purchase in the City of Oakland. If the application is successful the money could fund a minimum of 16 loans.

## **BACKGROUND/LEGISLATIVE HISTORY**

Increasing homeownership rates help to revitalize neighborhoods. Homeownership has been a major focus of the City's efforts since the beginning of its various housing programs. Oakland's homeownership rate is 42%, as compared to an average of 57% for California.

Over the past 20 years, 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. Currently, there is no permanent funding source to assist first-time homebuyers purchase in the City of Oakland. The City's Mortgage Assistance Program and Downpayment Assistance Program rely on program income to continue to fund loans. The previous CalHome Grants are fully committed.

Adopting this resolution will enable the City to increase resources for funding for mortgage assistance loans for purchase in the City of Oakland for low-income first-time homebuyers until a permanent source is identified.

## **ANALYSIS**

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.

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 in response to customer needs, as long as the borrowers are low- or very low income households whose incomes do not exceed 80% of the county median income. The interest rate can be up to 3% simple interest deferred. No matching funds are required.

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

- 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.

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### **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 mortgage assistance loans for low-income first time homebuyers.

This CalHome allocation allows assistance up to \$60,000 per household. Staff recommends the following program options:

1. A simple interest rate of 3%, consistent with the City's existing loan programs.
2. A 30-year loan, with annual payments deferred, 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 is \$60,000 per household for the current grant. This total assistance amount includes both the Activity Delivery Fees (ADF) as well as the loan to the borrower as evidenced by the Promissory Note.
4. All City loans will be secured by a deed of trust recorded on the property.
5. Funds would be available on a first-come, first-serve basis.

If awarded \$1 Million, the city could fund at least 16 mortgage assistance loans.

### **PUBLIC OUTREACH/INTEREST**

Interest in the First-time Homebuyer Programs increased as the housing prices decreased. The program goal was to make 50 homebuyers loan annually and in FY 08/09 the program made 88 loans, in FY 09/10 it made 97 loans using the \$2.5 million annual allocation from redevelopment funds and program income. In FY 10/11 the program only made 77 loans as the annual allocation was reduced and program income was exhausted. Over the last two fiscal years, the program has made 50 loans fully expending the previous CalHome grants received by the City of Oakland. In September 2013 City of Oakland Shared Appreciation Mortgage was rolled out and currently 97.6% of the funds are committed providing assistance to 17 low-income first time homebuyers. The program's production is only limited by available funding and not due to lack of interest or lack of qualified low-income first time homebuyers.

In spite of the reduction of programs, the first-time homebuyer workshop still has good attendance, educating about 400 people in both FY 10/11 and FY 11/12 and 250 people in FY 12/13. During years with more funding the workshop had educated about 700 people annually.

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## COORDINATION

Housing staff will be working with the City Attorney's Office to review resolutions, the standard agreement, and any modifications to the promissory note and deed of trust. The Budget Office will budget the grant award and set-up a project for the funds. Both the City Attorney's Office and the Budget Office have reviewed this report and resolution.

Additionally, the program is designed to work with a network of real estate agents and loan consultants to minimize the amount time spent on marketing and screening applications in order to expedite the loan approval and closing process and work efficiently within the parameters of a market rate home purchase transaction. The program also partners with Alameda County's Mortgage Credit Certificate program and programs offered by the California Housing Finance Agency to maximize all resources available to home buyers.

## COST SUMMARY/IMPLICATIONS

If awarded, the City will receive a grant of up to \$1,000,000 from the California Department of Housing and Community Development CalHome program for the purpose of making mortgage assistance loans with a simple interest rate of 3%, to be deferred for thirty (30) years. Funds will be deposited into the California Department of Housing and Community Development fund (Fund 2144). There is no match requirement and existing staff will administer the program.

## 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:** Expand homeownership opportunities for families, seniors and Oakland's disabled community.

**Environmental:** There are no environmental opportunities or issues associated with these actions.

**Social Equity:** The use of CalHome funds, as proposed in this report will promote social equity by providing additional assistance to low-income families to become homeowners. Homeownership has a positive impact on the quality of life for families and residents and their neighborhoods through pride of ownership. If awarded, the CalHome funds will be used to expand homeownership opportunities for lower-income households.

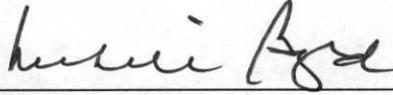
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For questions regarding this report, please contact Norma Thompson, Housing Manager, at 510-238-7137 or Christina Morales, Housing Development Coordinator, at 510-238-6984.

Respectfully submitted,



Michele Byrd, Director  
Department of Housing and Community Development

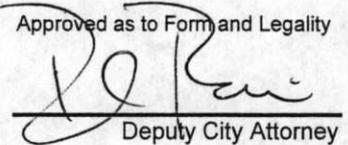
Reviewed by:  
Norma Thompson  
Manager, Housing Development

Prepared by: Christina Morales  
Housing Development Coordinator  
Housing Development Services

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2014 MAY 29 PM 2:56

Approved as to Form and Legality

  
Deputy City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY FOR, ACCEPT AND APPROPRIATE GRANT FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT IN AN AMOUNT NOT TO EXCEED \$1 MILLION UNDER THE CALHOME PROGRAM FOR FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE PROGRAMS**

**WHEREAS**, the California Department of Housing and Community Development ("HCD") announced a notice of funding availability ("NOFA") for the CalHome program established under Section 50650, et seq., of the California Health and Safety Code (the "statute"); and

**WHEREAS**, 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

**WHEREAS**, the City of Oakland wishes to submit an application to obtain an allocation of CalHome grant funds from HCD for the amount of \$1 million for mortgage assistance for first-time homebuyers; and

**WHEREAS**, there is substantial need for additional funds to assist in providing mortgage assistance to very low to lower-income (a maximum of 80% of the Area Median Income (AMI)) first-time homebuyers in Oakland including Section 8 Homeownership Program buyers; and

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

**WHEREAS**, funds from the CalHome program will be used to provide mortgage assistance loans to first-time homebuyers; now, therefore, be it

**RESOLVED:** That the City Administrator, 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 Administrator or his or her designee is authorized to accept the California Department of Housing and Community Development CalHome program funds, if awarded, deposit said funds in the California Department of Housing and Community Development fund (Fund 2144), Project to be determined, and appropriate said funds in an amount not to exceed \$1 million to first-time homebuyer activities to be used specifically to assist very low to lower-income first-time homebuyers; and be it

**FURTHER RESOLVED:** That the City Administrator is authorized to negotiate and execute the Standard Agreements and any amendments thereto between the City and the California Department Housing and Community Development for this program; and be it

**FURTHER RESOLVED:** That said agreements 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 RESOLVED:** That if the application for funding is approved, the City 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 the regulations of the program; and be it

**FURTHER RESOLVED:** That the City Council hereby appoints the City Administrator and his or her designee as agent of the City to conduct negotiations, execute documents required by HCD, 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, \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, GALLO, GIBSON-MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California