

**CITY OF OAKLAND  
AGENDA REPORT**

OFFICE OF THE CITY CLERK

TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: April 3, 2007

2007 APR 3 10:16

**RE: A Resolution Authorizing The City Manager To Apply For, Accept And Appropriate Grant Funds In An Amount Not To Exceed \$1 Million From The California Department Of Housing And Community Development (HCD) For Funding From The CalHome Program For First-Time Homebuyer Mortgage Assistance Programs**

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**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. CalHome Program regulations allow for varied program design and funds will be available for three years. The CalHome loan application is due April 18, 2007.

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, loans will be made to first time homebuyers with a simple interest rate of 3% and 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.

**BACKGROUND**

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

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homeownership rate is 41.4% as compared to an average of 57% for Bay Area cities. One of City Council's identified goals for fiscal years 2007-2009 is to develop a sustainable city.

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 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 from Low-Mod funds to provide low-interest loans of up to \$75,000 to lower-income households (a maximum of 80% of the Area Median Income (AMI)). Adopting this resolution will enable the City to increase the funding available for mortgage assistance to first-time homebuyers and provide an additional subsidy to the Section 8 Homeownership program.

### **KEY ISSUES AND IMPACTS**

Providing homeownership opportunities and affordable housing continues to be a high priority for the City. The City administers a Mortgage Assistance Program for First-Time Homebuyers. Demand is high for the program and at times funds have been exhausted during the first seven months of the program year. Additionally, the Oakland Housing Authority has developed a Section 8 Homeownership program. Most of these clients will need access to subsidies in addition to those routinely provided to assist them in qualifying to become homeowners because their income level requires additional financing to bridge the gap needed for total down payment assistance. Programs such as CalHome provide an additional source of funds that can be used instead of and in addition to Agency funds that expand available resources while requiring relatively little staff time to administer. The maximum CalHome loan amount per borrower is \$40,000. The City will have the flexibility to use the \$40,000 per loan to subsidize our current maximum \$75,000 loan, or to provide a \$40,000 CalHome loan in addition to our maximum loan of \$75,000 to provide additional assistance to Section 8 and other lower-income borrowers.

### **PROGRAM DESCRIPTION**

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 includes the following:

- Capability to operate the program demonstrated by prior experience

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- o 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.

### **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 and increase the number of homeowners in the City.

CalHome allows loans to individual borrowers of up to \$40,000. 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. Loans would include \$40,000 CalHome funds and \$35,000 from City funds for a total loan of \$75,000.
4. Provide a CalHome loan of \$40,000 in addition to the City's \$75,000 for a total of \$115,000 loan to borrowers whose income is less than 60% AMI.
5. All City loans will be secured by a deed of trust recorded on the property.
6. 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: 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.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

There are no direct accessibility impacts to seniors or people with disabilities related to this report.

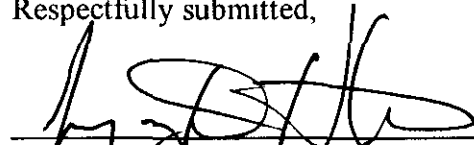
## RECOMMENDATION AND RATIONALE

The high cost of housing in the local market makes homeownership difficult for most low-income first-time homebuyers. The demand to provide funds for mortgage assistance programs continues to increase. 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 Administrator 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 requests that the City Council approve the attached resolution authorizing the City Administrator 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,



**GREGORY HUNTER, Interim Director  
Redevelopment, Economic Development,  
Housing and Community Development  
Divisions**

Reviewed by:  
Sean Rogan, Deputy Director  
Housing & Community Development Division

Prepared by:  
Jackie Campbell, Homeownership Programs  
Manager

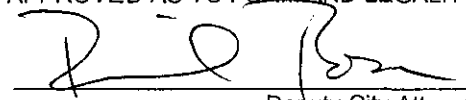
APPROVED AND FORWARDED TO  
THE CITY COUNCIL

  
Office of the City Administrator

Attachment: Resolution

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Deputy City Attorney

## OAKLAND CITY COUNCIL

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

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

**WHEREAS**, the California Department of Housing and Community Development (HCD) 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 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 expand the City's existing Mortgage Assistance Program; 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), and appropriate said funds 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 execute the Standard Agreement between the City and the California Department Housing and Community Development for this program, and said Agreement 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 the City Council hereby appoints the City Administrator 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, \_\_\_\_\_, 2007

**PASSED BY THE FOLLOWING VOTE:**

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California