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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Maraskeshia Smith
Assistant City Administrator

SUBJECT: Applying for CalHome Grant Funds

DATE: November 8, 2019

City Administrator Approval

Date:

11/19/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Apply For, Accept, And Appropriate Grant Funds From The California Department Of Housing And Community Development In An Amount Not-To-Exceed The Maximum Program Limits Under The CalHome Program For First-Time Homebuyer Mortgage Assistance Programs.

EXECUTIVE SUMMARY

Staff recommends that the City Council adopt a resolution authorizing staff to submit an application to the California Department of Housing and Community Development (CA-HCD) for an upcoming grant from the CalHome Program, which is currently estimated to be approximately \$1,500,000. If the application is successful, the awarded grant funds will be used to make first-time homebuyer mortgage assistance loans. The CA-HCD Notice of Funding Availability (NOFA) schedule anticipates that application packets will be released in November 2019 and due in January 2020. The CalHome NOFA release has been delayed with exact dates yet to be determined.

This resolution authorizes the City to:

- Apply to CA-HCD for a CalHome grant in an amount not-to-exceed program maximums, currently estimated to be approximately \$1.5 million
- To enter into a funding agreement with CA-HCD if the City is awarded program funds
- To accept and appropriate those funds to fulfill the program purpose of providing first-time homebuyer mortgage assistance if the City is awarded program funds

Item: _____
CED Committee
December 3, 2019

BACKGROUND / LEGISLATIVE HISTORY

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 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 that funds are deployed 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."

The City Council has authorized staff to apply for the CalHome grant five times in the past. City applications received awards in 2003, 2006, and 2010 totaling \$2,575,000 for the "Oakland CalHome" program.

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.

ANALYSIS & POLICY ALTERNATIVES

Through a competitive NOFA application process, the CalHome program offers a grant of up to \$1.5 million to local jurisdictions. Grant applicants have flexibility in shaping the program for which they propose to use the CalHome funds as long as basic program guidelines are met. One of these guidelines is that eligible borrowers must be lower income, having household incomes no higher than 80 percent of Area Median Income.

The Oakland CalHome Program has been successful in structuring the program to provide gap loans to households at or below eighty percent (80%) of Area Median Income (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:

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 \$60,000 per household (or greater if CalHome designates an increased loan amount for this upcoming NOFA, up to the amount provided by the City's existing Mortgage Assistance Program, which is currently \$75,000 but may be amended from time to time).
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.

If awarded \$1.5 Million, the City could fund at least 25 mortgage assistance loans of \$60,000.

Past and Current First-Time Homebuyer Activity

The \$2,575,000 in CalHome program funds previously provided to the Oakland CalHome program resulted in down payment assistance to seventy-two (72) low-income families (households earning up to 80 percent AMI) to purchase their first home in Oakland. Thirty-two percent (32%) of Oakland CalHome loans benefit Section 8 homebuyers, residents who are among the most vulnerable applicants.

The last CalHome grant award of \$1.5 million was received in 2010. This award was fully expended by 2013, after which the program was suspended for lack of funds. In the last six years, an additional nine CalHome loans were made using program Re-Use funds (sourced from loan repayments).

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

- Mortgage Assistance Program (MAP) - funded 131 loans,
- Shared Appreciation Mortgage (SAM) - funded 17 loans,
- Building Equity and Growth in Neighborhoods Program (BEGIN) – funded 12 loans.

There is currently no funding under the SAM and BEGIN programs. The City's past CalHome grants are fully expended and inactive, and currently have a balance of \$51 of ReUse funds (from repaid CalHome loans).

Despite the discontinuity of funding, interest in the City's programs remains strong, as evidenced by daily program funding level inquiry calls and the continual full-capacity enrollments in first-time homebuyer workshops. In fiscal year (FY) 2019/20, 533 attendees participated in the educational opportunity, with 444 receiving class completion certificates. Interest in the City's First-time Homebuyer Programs has increased in the last few years, as rents have increased – homebuyer education class attendees state each month that they would prefer to buy their own home in order to stay in Oakland, and to pay their own mortgage instead of paying their landlord's mortgage. Many face being priced out of Oakland by rapidly rising rents and the lack of affordable rental housing.

The CalHome program funds will supplement 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, CalHome funds often continue to provide critical down payment assistance to those most in need (those with incomes below 80 percent of AMI); this is critically important to providing opportunity to Section 8 buyers.

Staff are conducting an analysis of the past first-time homebuyer activity, the strengths and weaknesses of the programs, the impact of increasing home values on the programs, and how modifications to program design can enhance the program's impact. A report to the City Council will be presented in the first quarter of 2020.

FISCAL IMPACT

If awarded, the City would receive a grant in an amount reflecting the current program limits¹ 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).

There is no match requirement, and existing staff will administer the program.

¹ Program grant limits are not available at the time of the writing of this report but are estimated to be approximately \$1,500,000.

PUBLIC OUTREACH

There was no public outreach conducted regarding this agenda report and legislation. However, City staff continue to receive regular calls from prospective homebuyers, lenders, housing counselors, and real estate professionals inquiring when program funds will be made available again.

COORDINATION

Staff produced this report in coordination with the City Attorney's Office and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

If the application for CalHome grant funds is authorized as recommended, and the funds are awarded by CA-HCD, the following sustainable opportunities will be realized:

Economic: Expanding 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 provides a reduction of greenhouse gas generation by avoiding long auto commutes from less expensive, geographically distant communities. Less bay area commuting means healthier air for the community.

Race & Equity: The use of CalHome funds as proposed in this report promotes social equity by providing 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 stabilized community bonds, pride of ownership, and increased wealth. The City's provision of down payment assistance helps to push against the imbalance in mortgage lending 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-two (72) CalHome loans made, 75 percent assisted primary borrowers who identify as non-white. Mortgage assistance expands opportunities for low-income buyers to secure housing in resource-rich neighborhoods.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution authorizing the City Administrator or his or her designee to apply for, accept, and appropriate grant funds from the California Department of Housing and Community Development in an amount not To exceed the maximum program limits under the CalHome Program For First-Time Homebuyer Mortgage Assistance Programs.

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

Respectfully submitted,



MARASKESHIA SMITH
Assistant City Administrator

Reviewed by:
Maryann Leshin, Deputy Director, HCD

Christia Katz Mulvey
Housing Development Svcs Manager, HCD

Prepared by: Nicki Duesberg
Homeownership Coordinator
Housing Development Services

FILED
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OAKLAND

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Approved as to Form and Legality


City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HIS OR HER DESIGNEE TO APPLY FOR, ACCEPT AND APPROPRIATE GRANT FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT IN AN AMOUNT NOT TO EXCEED THE MAXIMUM PROGRAM LIMIT UNDER THE CALHOME PROGRAM FOR FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE PROGRAMS

WHEREAS, the California Department of Housing and Community Development ("CA-HCD") has announced an upcoming 2019-2020 funding availability ("NOFA") for the CalHome program currently operating under Health and Safety Code, Section 54000 et seq. and Military and Veterans Code Section 998.600 (collectively, the "Statutes"); and

WHEREAS, CA-HCD is authorized to approve funding allocations to the CalHome program, subject to the terms and conditions of the Statutes and the CalHome Program Regulations adopted by CA-HCD; and

WHEREAS, the City of Oakland currently operates the Oakland CalHome Program to provide mortgage assistance to very low and lower-income (a maximum of 80% of the Area Median Income (AMI)) first-time homebuyers; and

WHEREAS, the City of Oakland wishes to submit an application to obtain an allocation of 2019-2020 CalHome grant funds from CA-HCD in an amount not to exceed the maximum program limits for mortgage assistance for first-time homebuyers, which is currently estimated to be \$1.5 Million Dollars; and

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

WHEREAS, there is a substantial need for additional funds to assist in providing mortgage assistance lower-income, first-time homebuyers in Oakland including Section 8 Homeownership Program buyers; and

WHEREAS, if awarded, grant funds from the CA-HCD CalHome program will be used to fund the Oakland CalHome Program to allow the City to continue providing mortgage assistance loans to first-time homebuyers; now, therefore, be it

RESOLVED: That the City Administrator, or his or her designee, including the Housing Development Manager, is authorized to submit an application to the CA-HCD CalHome program for grant funds for an amount not to exceed the maximum program limits, currently estimated to be \$1.5 Million Dollars, to be used to fund loans 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 CA-HCD CalHome program grant 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 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 or his or her designee is authorized to negotiate and execute the standard agreements and any amendments thereto between the City and the CA-HCD 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 CA-HCD and in accordance with the regulations of the program, to assist additional homebuyers in accordance with the City's program; and be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator or his or her designee as agent of the City to conduct negotiations, execute documents required by CA-HCD, and take any other action, including negotiating the amount, terms, and conditions of the Oakland CalHome Program loans to first-time homebuyers, funded with the CA-HCD CalHome program funds consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California