



REPORT

DATE ISSUED: March 14, 2003 **ITEM 101**

REPORT NO: HCR03-027
For the Agenda of March 21, 2003

SUBJECT: Application for CalHFA HELP Loan (Citywide)

SUMMARY

Issue: Should the Housing Commission approve an application for \$2 million in funding under the California Housing Finance Agency (CalHFA) HELP program to initiate a short-term bridge financing program as described in this Report?

Recommendation: Approve the application for funds.

Fiscal Impact: None with this action. If funds were awarded, there would be a three percent interest rate on any funds used for the program. Loans funded with the HELP Program would be repaid with a project's permanent financing.

Affordable Housing Impact: Funds would be used to facilitate the acquisition and construction of rent-restricted units, most of which would be affordable to families with incomes of 50 percent to 60 percent of area median income (\$30,050 to \$36,060 for a family of four).

BACKGROUND

The California Housing Finance Agency (CalHFA) initiated the HELP Program in FY99 with a commitment to provide \$100 million in low interest deferred housing loans to local jurisdictions for their use in innovative housing programs.

CalHFA is now accepting applications for \$10 million of HELP Program funds in the second of two funding rounds for FY2003.



DISCUSSION

The Program

The Help Program's primary objective is to provide affordable housing opportunities through program partnerships with local government entities, consistent with their affordable housing priorities. The primary stipulation is that the HELP Program funds will be used to directly produce affordable housing units. Proposals are competitively evaluated and ranked; the program is frequently over-subscribed.

HELP funds are available to a local government entity as an unsecured loan from CalHFA for up to 10 years at three percent simple interest per annum, and carry minimal restrictions and conditions. Repayment is required, in full, no later than 10 years from the date a loan agreement is executed. Under this format, the local government entity contracts to repay CalHFA and re-lends or otherwise utilizes the funds for its stated purposes. The maximum request is \$2,000,000. The local government entity does not provide property or other resources as collateral.

The Bridge Fund

To maximize our service level, staff regularly looks for ways to reduce costs and address other needs of developers. In this regard, staff have identified several opportunities for cost savings in the development cycle; most of these involve making below market-rate financing available so that interest costs are reduced. For example, the Housing Commission could use the CalHFA funds as "early money" so that a developer using tax credit financing could postpone the tax credit contribution and thereby increase the ultimate yield from the sale of the tax credits. Another typical opportunity would be to fund a significant portion of the construction cost, reducing the need for construction financing. In addition, there are occasional circumstances where a land purchase opportunity is not in sync with the funding cycles of other programs and short-term financing is needed.

A short-term loan program funded through the HELP Program could address these and similar situations, simplifying the search for project funding and reducing costs. Any proposal to use the funds would be subject to Housing Commission approval policies.

Summary

Staff recommends that the Housing Commission apply for \$2,000,000 in CalHFA HELP funds to generate a short-term development loan fund to facilitate the development of more affordable housing and to help reduce or contain development costs.

ALTERNATIVE

HELP Program funds carry an interest rate of three percent on funds actually drawn down (\$30,000 per million annually). Board members may determine that this cost offsets any potential benefit of applying for funding. However, staff anticipate that there will not be funds available from current sources to produce the cost savings that could be created with this resource.

Respectfully submitted,

Approved by,

Signature on File with Original Document

Jack D. Farris
Manager, Housing Finance & Development

Elizabeth C. Morris
Chief Executive Officer

Information: Cissy Fisher 619.578.7585

F:HELPAapplication03

