

REPORT

DATE ISSUED: March 7, 2007 REPORT NO: HCR 07-27
ATTENTION: Chair and Members of the Housing Commission
For the Agenda of March 23, 2007
SUBJECT: Application for State of California CalHome Program Funding (Citywide)

REQUESTED ACTION:

Housing Authority approval to apply to the State of California for up to \$1 million in funding from the CalHome Program in support of homeownership, and to amend the Housing Commission's Fiscal Year 2008 Homeownership Program budget if the funds are received.

STAFF RECOMMENDATION:

1. Authorize submittal of an application to the State for CalHome Program funding;
2. Approve a budget amendment to include the funds, if awarded; and
3. Authorize the President and Chief Executive Officer to execute all necessary documents.

BACKGROUND:

The State of California, through SB1656, established the CalHome Program in support of homeownership. The program goal is to enable low and very-low income households to become or remain homeowners. The California Department of Housing and Community Development (HCD) makes grants to experienced local public agencies and nonprofit developers to assist individual households.

The Housing Commission has received a total of three awards from HCD totaling \$2.5 million. The CalHome money has been used to fund the Shared Appreciation Deferred Second Loan Program. To date \$2,000,192 of the CalHome funds have been committed resulting in 32 families able to realize their dream of homeownership. It is anticipated the remaining \$499,808 will be committed within the next few months.

On February 13, 2007, HCD issued a Notice of Funding Availability (NOFA) in the amount of \$50 million for first time homebuyer mortgage assistance or owner-occupied rehabilitation. The funds are provided by the passage of Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006, to provide funding to local public agencies or nonprofit corporations for eligible activities within the CalHome Program. Applications under this NOFA are due to HCD on April 18, 2007. The maximum application amount for a city expected to have a high demand for assistance as evidenced by a population in excess of 400,000 is \$1 million. The Proposition 1C funds prohibit any of the funds to be used to pay an administrative fee to the grantees. The State will allow the Housing Commission to charge a loan processing activity delivery fee that is equal to the amount normally and customarily charged in relation to similar loans by other lenders. Based on a survey of other lenders offering second trust deed loans, the average processing fee was \$1,095 per loan or approximately \$27,375 for an award of \$1 million. If successful, it is anticipated that HCD will issue a letter of commitment in July 2007, with funds available to eligible buyers in September 2007.

The CalHome Program guidelines allow the applicant to design a loan program, with some limits, that will be affective in their individual jurisdiction. In the past two awards did not have a cap on the maximum loan amount. However, based on the requirements of the Proposition 1C funds to encourage leveraging of other funds and to serve the highest possible number of eligible households, not more than \$40,000 of CalHome funds may be used per home. Over the past couple of years, the average CalHome funded loan in San Diego was \$77,800. Because of the cap on CalHome funds, it will be necessary for the Housing Commission to supplement the deferred second trust deed loan with federal HOME or local funds.

The infusion of \$1 million in first time homebuyer program funds will benefit about 25 low income (\$55,200 for a family of four) families. Considering the modest cost of program application and administration, it is recommended that the Housing Commission proceed with the application on behalf of the City of San Diego.

FISCAL CONSIDERATIONS:

An award of CalHome funds would increase the Fiscal Year 2008 Homeownership budget by \$1 million if the Housing Commission's application is approved, including \$27,375 for administration. Because of the new limitation of \$40,000 per home, existing homebuyer funds will also be used in conjunction with CalHome.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On January 30, 2001 and September 9, 2003, the City Council authorized an application to HCD for CalHome Program funds.

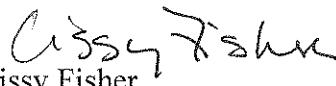
ENVIRONMENTAL REVIEW:

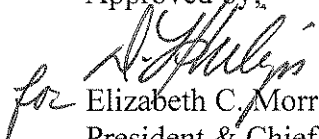
This activity is not a project within the meaning of California Environmental Quality Act and is categorically exempt and/or excluded under the provisions of National Environmental Policy Act; see 24 CFR 58.35(a).

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low income buyers would benefit from the additional CalHome money that would help fund the Shared Appreciation Loan Program.

Respectfully submitted,


Cissy Fisher
Director of Housing Finance and Development

Approved by,

for Elizabeth C. Morris
President & Chief Executive Officer