



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO CITY COUNCIL
City of Sacramento**

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT
September 20, 2005

Honorable Mayor and
Members of the City Council

Subject: CalHome Application

Location/Council District:

Recommendation:

Staff recommends adoption of the attached resolution on pages 5 and 6 which authorizes the Executive Director or her designee to:

- submit an application to the California Department of Housing and Community Development (HCD) for funding under the CalHome Program;
- execute a Standard Agreement for such funding and any amendments thereto;
- execute any related documents necessary to participate in the CalHome Program;
- adopt local CalHome Program Guidelines; and
- amend the Agency Budget to receive and expend not more than \$1,000,000 CalHome revenue including program activity delivery fees for the following activities:

○ Owner-Occupied Rehabilitation	\$400,000
○ First-Time Homebuyer Mortgage Assistance	\$600,000

Contact:

Larry Goins, Acting Director Program Operations, 440-1314
Carla Christian, Program Manager, 264-1524

Presenters: Carla Christian

Department: Sacramento Housing and Redevelopment Agency

Summary:

This staff report requests authorization for the Sacramento Housing and Redevelopment Agency (Agency) to apply on behalf of the City of Sacramento to California Department of Housing and Community Development (HCD) for \$1,000,000 funding under the CalHome Program, execute a standard agreement and any other documents necessary to participate in the CalHome Program, adopt CalHome Program Guidelines, administer the Program, and to amend the Agency Budget to receive and expend the CalHome funds including reimbursement of program delivery fees.

Commission Action:

At its meeting on September 7, 2005, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Burruss, Fowler, Gale, Gore, Hoag, Piatkowski, Shah, Simon, Stivers

NOES: None.

ABSENT: Burns, Coriano.

Background Information:

The California Department of Housing and Community Development recently announced a Notice of Funding Availability (NOFA) for the CalHome Program. The funding for this NOFA was provided by Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. The CalHome Program is a homeownership program designed to make funds available to local public agencies to support existing homeownership programs aimed at low- and very-low income households.

The City has been the successful applicant of prior CalHome funds, the most recent being an award of \$1,000,000 earlier this year. Fifty-five low-income households in Sacramento have been assisted with prior years' CalHome funds. This NOFA again allows for funding of up to \$1,000,000 to cities and counties with population in excess of 400,000. This report requests authorization to apply for funds for these following eligible activities:

- Owner-Occupied Rehabilitation \$400,000
- First-Time Homebuyer Mortgage Assistance \$600,000

Owner-Occupied Rehabilitation

The CalHome Program provides assistance to low-income owner-occupants (less than 80% of area median income) to pay for repairs and improvements to their home. This assistance is in the form a loan up to \$50,000, with payments of principal and interest deferred for the term of the loan. The Agency would provide the underwriting,

inspection, work write up, bidding, and construction monitoring services. The program allows for assistance to manufactured housing (or mobile homes as well). Please see Attachment I, CalHome Owner-Occupied Rehabilitation Program Guidelines, for the Agency's proposed rehabilitation program guidelines.

First-Time Homebuyer Mortgage Assistance

The CalHome Program provides down payment and mortgage assistance to low-income first-time homebuyers. This is designed to increase affordability for these buyers by reducing the amount of the first mortgage. The existing loan program is in the form of a deferred payment second mortgage of up to \$25,000 with payments of principal and interest deferred for a 30-year term. However, because Sacramento's median home prices have increased 22 percent over the past year, low-income homebuyers need additional assistance to purchase a home. Staff is recommending that the CalHome loan amount be increased to a maximum of \$50,000 to help meet this affordability gap. The actual loan amount will be determined based upon the buyer's need.

Please see Attachment II, CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, for the Agency's proposed mortgage assistance program guidelines.

Program Targeting

The applications for the CalHome funding will be rated and ranked based upon various evaluation criteria, and maximum points will be awarded in the category of community revitalization if the applicant restricts the program to federally defined Qualified Census Tracts and/or designated redevelopment areas. Because of the great need for revitalization in these areas, the limited number of homeowners that can be assisted with these funds, and to make our application as competitive as possible, staff recommends that the program be targeted to the Qualified Census Tracts and the redevelopment areas.

Financial Considerations:

The maximum aggregate application amount for all activities is not to exceed \$1,000,000. This report requests that the proposed funding be applied as follows:

- Owner-Occupied Rehabilitation \$400,000
- First-Time Homebuyer Mortgage Assistance \$600,000

The CalHome Program regulations include a CalHome program activity delivery fee as an eligible cost for mortgage assistance and owner-occupied rehabilitation projects. This fee is to be provided in the form of a grant to the recipient. This program fee is expected to be approximately 10-15 percent of the total grant amount.

Environmental Considerations:

The proposed action consists of an application to create a government funding mechanism which does not commit to any specific project which may result in potentially significant impacts on the environment. As such, the proposed action does not constitute a project under CEQA per Guidelines Section 15378(b) (4). It is not a federal undertaking under NEPA.

Policy Considerations:

The actions requested in this staff report are consistent with the Agency policy of providing affordable homeownership opportunities and improving and preserving the existing housing supply within the target and redevelopment areas of the City.

This policy also supports the City Strategic Plan Goal of "Enhancing and Preserving the Neighborhoods" by promoting and increasing both property improvement and homeownership opportunities within the City.

A successful CalHome application would provide homeownership assistance to 20-25 low-income homebuyers and homeowners in the redevelopment and revitalization areas in the City, increasing homeownership rates and preserving existing housing.

M/WBE Considerations:

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: 
ANNE M. MOORE
Executive Director

Recommendation Approved:


ROBERT P. THOMAS
City Manager

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RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY TO APPLY FOR, ACCEPT, AND ADMINISTER THE CALHOME PROGRAM
IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO**

BACKGROUND

- A. The City of Sacramento (City), a political subdivision of the State of California, desires to apply for and receive an allocation of funds through the CalHome Program.
- B. The California Department of Housing and Community Development ("HCD") has issued a Notice of Funding Availability ("NOFA") for the CalHome Program established by Chapter 84, Statutes of 2000 (SB1656 Alaron), and codified in Chapter 6 (commencing with Section 59650 of Part 2 of Division 31 of the Health and Safety Code (the "statute"). 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 on August 15, 2003; and
- C. The City, by its agent, the Sacramento Housing and Redevelopment Agency, ("Agency") wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of \$1,000,000.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS
FOLLOWS:**

Section 1. The City hereby delegates authority to the Agency to submit an application to HCD on behalf of and in the name of the City of Sacramento to the CalHome Program in response to the NOFA, which will request a funding allocation to support existing homeownership programs in the City of Sacramento for low- and very low-income households.

Section 2. The City delegates authority to the Agency to receive funding from HCD on behalf of and in the name of the City and to administer the City's CalHome funds, which shall be applied to the following eligible activities within the City of Sacramento in areas as described in the staff report, in not more than the following amounts:

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RESOLUTION NO.: _____

- Owner-Occupied Rehabilitation \$400,000
- First-Time Homebuyer Mortgage Assistance \$600,000

The maximum aggregate application amount for all activities is \$1,000,000.

Section 3. If the application for funding is approved, the City authorizes the Agency to execute, on behalf of the City and in the name of the City or Agency as HCD requires, all instruments necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations.

Section 4. The City adopts the CalHome Owner-Occupied Rehabilitation Program Guidelines, as described in Attachment I to the staff report, and the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Attachment II to the staff report. The Agency is obligated to comply with these Guidelines in administration of the CalHome Program funding on behalf of the City, and the Agency may make technical changes to these Guidelines as necessary for program implementation in compliance with the applicable law and regulations.

Section 5. If the application for funding is approved, the Agency's 2005-06 Budget is hereby amended to incorporate the CalHome funding for Owner-Occupied Rehabilitation and the First-Time Homebuyer Mortgage Assistance in the amounts approved by HCD.

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RESOLUTION NO.: _____



Fact Sheet

1013-7th STREET • Suite 200 • SACRAMENTO, CA 95814 (916) 264-1500

CalHome Owner-Occupied Rehabilitation Program 2004 CONTRACT PROGRAM GUIDELINES

CalHome Program	The CalHome Owner-Occupied Rehabilitation loan is a deferred payment home improvement loan designed for low-income homeowners whose homes are in need of repair. This includes single-family homes as well as manufactured (or mobile) homes.
Minimum Loan Amount:	\$ 10,000 – single family dwellings \$ 2,000 – manufactured housing
Maximum Loan Amount:	\$50,000 – single-family dwellings \$25,000 – manufactured housing
Interest Rate:	3.00 percent fixed rate, simple. Principal and interest payments shall be deferred for the term of the loan. 0 percent for single family properties which are located in Agency Target Areas with existing Target Area Program.
Maximum CLTV:	The loan-to-value ratio for an owner-occupied rehabilitation loan, when combined with all other indebtedness shall not exceed: 100 percent of the after-rehabilitation value for single-family homes 90 percent of the after-rehabilitation value for manufactured housing No financing, junior or senior to the CalHome loan, may have a balloon payment due before the maturity date of the CalHome loan.
Maximum Total Debt Ratios:	Not applicable
Credit Standards:	Per Agency Credit Matrix and Underwriting Guidelines
Term:	20 years – single family dwellings 20 years forgivable loan – manufactured housing (located in a mobilehome park and not permanently affixed to a foundation).
Refinancing:	Refinancing may be allowed subject to Agency subordination policy. Refinancing will not be allowed on manufactured housing.

Repayment: Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date.

**Hardship:
Single Family Dwellings** However, if it is determined by the Agency that repayment of the CalHome Program loan at the maturity date would cause a hardship to the borrower, the borrower may have two options:

(A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time, or

(B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest to an amortized loan, repayable in 15 years at 0 percent additional interest.

**Forgivable Loan:
Manufactured Housing
Only** The loan shall be due and payable in 20 years, with 10 percent of the original principal and accrued interest to be forgiven annually for each year beyond the 10th year that the home is owned and continuously occupied by the borrower.

Eligible Applicants: Owner-occupants of single-family homes or manufactured housing in the City and County of Sacramento who are defined as low-income households based on 80 percent of the area median. As of February 11, 2005, the eligible income figures are:

1-person	\$35,900
2-person	\$41,000
3-person	\$46,150
4-person	\$51,300
5-person	\$55,400
6-person	\$59,500

Eligible Properties: Single-family homes or manufactured homes in eligible areas of the City and County of Sacramento, whose after rehabilitation value does not exceed the current median sales price of a single family home in Sacramento County which is currently \$380,000, based upon the Sacramento Association of Realtors Reports.

Eligible Areas: The single family home or manufactured homes must be located in eligible areas of the City and County of Sacramento. Eligible areas are defined as "qualified census tracts" and/or redevelopment areas. Please see below for list of "qualified census tracts" and Agency redevelopment areas.

- Unincorporated Areas:** The CalHome program is available only within eligible areas in the unincorporated areas of the County. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.
- Eligible Repairs:** Funds may be used to finance real property improvements that substantially protect or improve the basic livability or utility of the single-family property. Improvements must meet the Agency Property Rehabilitation Standards. General property improvements (GPI) may be included subject to the limitations of the Agency Property Rehabilitation Standards. Rehabilitation includes reconstruction and room additions to prevent overcrowding.
- Repairs on manufactured homes include any repairs and improvements necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704. Improvements must meet the Agency Property Rehabilitation Standards. General property improvements (GPI) may be included subject to the limitations of the Agency Property Rehabilitation Standards.
- Qualified Census Tracts:** The "qualified census tracts" are: 0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0014.00, 0018.00, 0020.00, 0022.00, 0027.00, 28.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 44.01, 044.02, 0046.01, 0046.02, 0048.01, 0049.03, 0049.05, 0050.02, 051.03, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 66.00, 0067.02, 0068.00, 0069.00, 0070.01, 0074.04, 0074.10, 0088.00, 91.10.
- City and County**
- Redevelopment Areas:** North Sacramento, Oak Park, Del Paso Heights, Alkali Flat, Army Depot, Franklin Blvd., Stockton Blvd., and 65th Street Redevelopment Areas. Please call for maps of these areas.
- City and County**
- Application Procedure:** Contact our office for an application. A written loan application must be submitted to our office to start the application procedure. For additional information, please call (916) 264-1500, or visit our web site at www.shra.org



Equal Housing Opportunity



Fact Sheet

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CalHome First-Time Homebuyer Mortgage Assistance Program PROGRAM GUIDELINES

CalHome Program

Sacramento Housing and Redevelopment Agency has an allocation of State CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with Guidelines adopted by the State Department of Housing and Community Development (HCD). Funds are provided to qualified households in the form of 30-year, deferred-payment second mortgages. The CalHome First-Time Homebuyer Mortgage Assistance loan helps buyers purchase homes by providing financial assistance to reduce the amount of the first mortgage and to pay non-recurring closing costs.

Minimum Loan Amount: \$ 5,000

Maximum Loan Amount: \$50,000. The maximum loan shall not exceed the required amount of subsidy needed to make the unit affordable to the homebuyer and to pay non-recurring closing costs.

Interest Rate: 3.00 percent fixed rate, simple. Principal and interest shall be deferred for the term of the loan.

Term: 30 years

Maximum CLTV: The loan- to- value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.

Use of Funds: Funds may be used for down payment, mortgage assistance and non-recurring closing costs.

Refinancing: Refinancing may be allowed subject to Agency subordination policy.

Repayment: Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date.

Hardship: However, if it is determined by the recipient that repayment of the CalHome Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:
 (A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time, or
 (B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at 0 percent additional interest.

Eligible Properties: The home must be located in eligible areas which are defined as "qualified census tracts" and/or redevelopment areas in the City and County of Sacramento. Please see following page for list of "qualified census tracts" and Agency redevelopment areas.

Unincorporated Areas: The CalHome program is available only within the unincorporated areas of the County. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.

Maximum Sales Price: The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single family home in Sacramento County which is currently \$380,000 based upon the Sacramento Association of Realtors.

First-Time Homebuyer: The applicant must be a first-time homebuyer which means a borrower who has not owned a home during the three-year period before the purchase of a home with CalHome assistance.

Displaced Homemakers: The CalHome Section 7716(m) contains a provision for displaced homemakers, single parents, and individuals who have owned mobile homes to be considered eligible for the program.

Household Income: The CalHome borrower household must have a gross annual income not exceeding 80 percent of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at 2.5 percent of the value of the asset. As of February 11, 2005 the limits are:

1-person	\$35,900
2-person	\$41,000

3-person	\$46,150
4-person	\$51,300
5-person	\$55,400
6-person	\$59,500

Eligibility vs Lender Income: For program eligibility, the total annual income includes income of all adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio: Monthly housing costs shall be no less than 28 percent of the borrower's gross monthly income and no more than 35 percent. However, with compensating factors the housing costs can exceed 35 percent, but not 40 percent. The total debt ratio may be determined by the lender's underwriting guidelines. On FHA insured loans, ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting: The first mortgage lender will perform the underwriting using established credit guidelines for the particular program. The Agency will provide oversight of this function and may require credit explanations or payoff of collections if deemed necessary and prudent.

There may be no unpaid judgments or involuntary liens at the time the CalHome loan is recorded.

First Mortgage Restrictions: Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.

The term of the loan shall be 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CHFA financing.

Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the CalHome lender.

The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance according to the lender's requirements.

Escrow Prohibitions: Cash transactions and oral agreements outside of escrow are prohibited. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum downpayment.

Homebuyer Education: The CalHome homebuyer must attend homebuyer education classes. The homebuyer education requirement may be met by taking the following classes:

Sacramento Home Loan Counseling Center

- Course 1 –The Home Buying Process
- Course 2 – Credit & Money Management
- Course 3 - Home Maintenance/Good Neighbor;

OR

Sacramento Neighborhood Housing Services

- Preparing for Homeownership
- "My Home" Workshop

Qualified Census Tracts: The "qualified census tracts" are:
City and County

0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0014.00, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0046.01, 0046.02, 0048.01, 0049.03, 0049.05, 0050.02, 0051.03, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01, 0074.04, 0074.10, 0088.00, 0091.10.

Redevelopment Areas: North Sacramento, Oak Park, Del Paso Heights, Alkali Flat, Army Depot, Franklin Blvd., Stockton Blvd., and 65th Street
City and County Redevelopment Areas. Please call for maps of these areas.

Application Procedure: To apply for the program, please contact any of the lenders on the attached list. For additional information or questions call (916) 264-1500, or visit our web site at www.shra.org.



Equal Housing Opportunity