



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



June 13, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Home Ownership Home Assistance Program and Approval
of Contract with City of Roseville for the Mortgage
Credit Certificate Program Administration

SUMMARY

The attached report is submitted to you for review and
recommendation prior to consideration by the City Council of
the City of Sacramento.

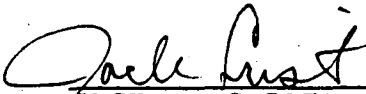
RECOMMENDATION

The staff recommends approval of the attached resolution
approving program and funding.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

TRANSMITTAL TO COMMITTEE:



JACK R. CRIST
Deputy City Manager

Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



June 13, 1989

City Council of the
City of Sacramento
and
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: Home Ownership Home Assistance Program (HOHAP) and
Approval of Contract with City of Roseville for the
Mortgage Credit Certificate Program Administration**

SUMMARY

The Sacramento City Council and Redevelopment Agency are requested to approve the proposed pilot Home Ownership Home Assistance Program (HOHAP) to be administered by the Sacramento Housing and Redevelopment Agency (SHRA or Agency). The City Council is also requested to hold a public hearing to adopt the HOHAP Program as an approved use of the Community Development Block Grant (CDBG) Rehabilitation Loan funds. The program is designed to assist approximately 40-50 lower income households who would not otherwise be able to buy their first home. This report also includes a summary of the recommended contract between the City of Roseville and SHRA for the Agency to administer Roseville's Mortgage Credit Certificate (MCC) Program. The MCC Program summary is for information only.

BACKGROUND

Since 1980 the County and City of Sacramento have made a commitment to providing assistance to first-time homebuyers. In 1980, 1982, 1983, 1984, 1987 and 1988, the County issued, on behalf of the City and County of Sacramento, tax-exempt mortgage revenue single family bonds that not only increased the housing stock but also helped to stabilize communities through homeownership. The 1987 and 1988 issues also included a resale home component that addressed the existing housing stock and rehabilitation.

6-13-89
All Districts
(1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

13

Sacramento City Council/
Redevelopment Agency
Page 2

Since 1985, the City and County have also assisted almost 3,200 first-time homebuyers through the Mortgage Credit Certificate (MCC) Program which allows homebuyers to take a tax credit against their federal income taxes for 20% of their annual interest payment. Approximately 82% of the MCCs are issued on existing homes which tend to be less expensive than new homes. At least 33% of the total certificates were also used by households with incomes less than 80% of the median income for the area. It was a local policy to set aside a specific allocation for lower income households that helped to keep this program available for those who often need it the most.

THE HOHAP PROGRAM

The goals of the HOHAP are to: (1) increase homeownership in our CDBG, Redevelopment, NHS, Meadowview, Southside and Rehabilitation Target Areas; (2) up-grade the existing housing stock; and (3) make homeownership for lower income households a more realistic possibility.

The proposed program will offer households with income less than 80% of the median income adjusted by family size a lower-than-market rate purchase loan and a deferred loan to include rehabilitation and closing cost to purchase a home in one of the following areas - CDBG Target Areas, Rehabilitation Areas, Redevelopment Target Areas, and Meadowview and Southside Areas. Although Meadowview and Southside are not CDBG Target areas, they are transitional areas. The residents of those areas have expressed an interest in having such housing opportunities available in their specific neighborhoods. Furthermore, the homeownership opportunities would help promote neighborhood stability. Maps of the target areas are included in Attachment A.

Under the program the applicant would be eligible for:

- o 8.65% thirty year fixed rate FHA financing made available from the 1988 Single Family Bond Program proceeds;
- o Zero interest deferred HOHAP loan up to \$2,500 to pay closing costs and/or a match for equity contribution made available from funds previously raised from Bond Issues; and

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council/
Redevelopment Agency
Page 3

- o A deferred payment rehabilitation loan up to \$3,000 from the CDBG Rehabilitation Loan Fund Pool.

The homebuyer must be a qualified first-time homebuyer, qualify for Federal Housing Administration (FHA) insured financing and meet the income restrictions. The gross annual household incomemaximums based on family size would be as follows:

<u>FAMILY SIZE</u>	<u>INCOME</u>
1 person	\$20,250
2 persons	\$23,100
3 persons	\$26,000
4 persons	\$28,900
5 persons	\$30,700
6 persons	\$32,500

The home being purchased should not exceed the maximum purchase price limitations of \$114,030 for new homes and \$100,620 for existing homes. Given the income limitations, we expect the average sales price to be between \$40,000 - \$60,000.

The qualified applicant would receive a 8.65% fixed interest rate loan made available through the County's 1988 Single Family Bond Program. The issue was for \$46.2 million, of which \$2 million was allocated to the County. The County's allocation will be used for the first mortgages under the HOHAP through the five lenders currently participating in the 1988 Single Family Bond Program that handle the resale home loans under the Program.

Secondly, applicants would have available a \$2,500 zero interest loan (herein referred to as HOHAP Loan) to be applied to: (1) pay closing costs; and/or (2) match the down payment made by the borrower. The borrower must make a minimum cash down payment of \$1,000 or 3% of the purchase price, whichever is greater. The borrower's contribution shall be applied to either closing costs or down payment.

The HOHAP Loan shall be repaid upon sale of the property or refinancing. The loan shall be repaid from the proceeds of the sale after the first mortgage and deferred payment rehabilitation loan (if one exist) have been paid. If there are insufficient proceeds to pay the HOHAP Loan, the loan shall be forgiven. The HOHAP Loan will automatically be forgiven if the homeowner occupies the home for five years or more.

13

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Sacramento City Council/
Redevelopment Agency
Page 4

Thirdly, applicants shall be eligible to receive a deferred payment rehabilitation loan (DPRL) up to \$3,000. These funds will come from the CDBG Housing Rehabilitation Loan Pool and can be used for qualified repairs including: painting, re-roofing, re-carpeting, room additions, plumbing work, electrical work, and more. Ineligible improvements include but are not limited to: free-standing appliances, barbecues, draperies and appurtenances, swimming pools and spas, furniture, burglar protection bars and excessively expensive luxury or designer goods. If an applicant chooses to take advantage of the rehabilitation loan, he or she will have up to two months after the loan closes to submit bids from contractors for the rehabilitation work. The work must be completed within eight months from the date the loan closes. If the rehabilitation cost will be greater than \$3,000, the applicant must demonstrate his/her ability to pay for the completion of the work.

The rehabilitation loan will start amortizing the beginning of the sixth year after the loan closes, unless otherwise waived or adjusted by SHRA. Such waiver will only be considered if: (1) the property is not further encumbered; or (2) the cause for financial hardship is due to loss of a job, or medical expenses. Large consumer debts will not be considered cause for waiver of the repayment of the rehabilitation loan. The loan may be prepaid. Loan payments will be a minimum of \$27.00 per month including a loan servicing fee. The loan must be paid on sale of the property, or if the home is no longer the person's principal place of residence. The loan is amortized over a ten year period.

The five participating lenders will process all applicable loan documents including rehabilitation loan documents if a borrower qualifies for and elects to participate in the DPRL Component.

Administration of MCC Program in Roseville

Since August 1986, the City and County of Sacramento cooperatively, have received a total of \$54.15 million in MCC Authority which is equivalent to \$228.2 million in Bond Authority. (Of the MCC Authority, \$6.25 million was received in April 1989). To date, we have issued almost 3,200 MCCs to first-time homebuyers.

Sacramento City Council/
Redevelopment Agency
Page 5

The City of Roseville approached Agency staff to consider administering the daily operations of an MCC Program in Roseville. The Agency would be responsible for the day to day operations, including the filing of quarterly and annual local, state and federal reports. Applications, deposits, and fees submitted to the State would be the responsibility of the City of Roseville.

Roseville chose the Sacramento MCC Program for numerous reasons. First of all, Sacramento's program is long standing and well established. Secondly, with the exception of any local policies, an MCC Program in Roseville would be almost identical to the MCC Program in Sacramento. Roseville's program would: (1) be subject to the same restrictions, including income and purchase price limitations; (2) use the same lenders that are currently participating in Sacramento's MCC Program; and (3) basically serve a similar population. Roseville's MCC Program will have a 50% set-aside for new construction, 50% set-aside for existing homes and 15% set-aside for lower income families (whose incomes do not exceed \$28,880).

On May 24, 1989, Roseville received \$6 million in Bond Authority which converts to \$1.5 million in MCC Allocation. This would increase staff workload by approximately 100 certificates. The Agency will receive \$150 non-refundable fee directly from the applicant and a \$3,000 start-up fee from the City of Roseville to cover any additional expenses. All program income will come directly to the Agency to cover program costs. Additional staff is not anticipated for 100 more applications. The Governing Boards have already approved the Agency administering Roseville's Program in concept. The Redevelopment Agency of the County of Sacramento will approve the contract to provide the service.

FINANCIAL DATA

The HOHAP Program funds will be derived from three sources: (1) \$2 million from the 1988 Single Family Bond Program Proceeds currently allocated to the County; (2) up to \$150,000 from the CDBG Rehabilitation Loan Pool; and (3) \$125,000 for the HOHAP loan to be budgeted from the Mortgage Revenue Bond Fund. Revenue for the HOHAP loans comes from points paid to the Agency by homebuyers under the 1987 Single Family Bond Program. As you may recall, the Agency reserved \$5 million in bond proceeds under the 1987 program for resale homes. Homebuyers reimburse the Agency its bond issuance costs as the loans are originated.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

13

Sacramento City Council/
Redevelopment Agency
Page 6

The MCC Program is a self supporting program with revenues from individual applicant fees and lender participation fees. Additional fees from the Roseville MCC Program would include an up-front start-up fee of \$3,000 in addition to the individual applicant fee and lender participation fee for new applicants. The additional revenues are estimated at \$20,000.

ENVIRONMENTAL REVIEW

CEQA: Not a project per Section 15378(b)(3).

NEPA: The CDBG Rehabilitation Program has been previously reviewed and approved under NEPA. Use of the funds will be subject to further review on a structure by structure basis, as established under the existing program.

POLICY IMPLICATIONS

This proposed HOHAP Program is consistent with the City Council's policies of assisting lower income first-time homebuyer. Staff is requesting a new and slightly modified use of the CDBG Rehabilitation Funds. This action approves the use of CDBG Rehabilitation Loan funds to provide rehabilitation loans on homes purchased through the HOHAP Program. Most of the rehabilitation loans require applicants to have owned the home for at least six months prior to application. In the HOHAP, the DPRL will be used simultaneously with the purchase of a home, therefore, the six-month ownership requirement will not be applicable. In addition, the rehabilitation under the HOHAP is restricted to general improvements since the borrower's first mortgage will require that the property be FHA insurable which will not permit loan closing on a property with code violations. The current CDBG Rehabilitation Programs only allow a percentage of the loan to be used for general improvements. These minor modifications to the Rehabilitation Program, and the HOHAP loan will enable the City to assist lower income households achieve homeownership. These households will generally be unable to qualify for a bond loan due to inadequate savings for a down payment or closing costs. Once in a home, these families often have no funds for even minor repairs.

MBE/WBE

No impact.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

13

Sacramento City Council/
Redevelopment Agency
Page 7

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of June 5, 1989, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

- AYES: Amundson, Moose, Pernel, Simon, Simpson,
Strong, Yew, Wiggins
- NOES: None
- ABSENT: Sheldon, Wooley

RECOMMENDATION

Staff recommends that the Council and Redevelopment Agency: (1) approve the proposed pilot Home Ownership Home Assistance Program (HOHAP) to be administered by the Sacramento Housing and Redevelopment Agency; and (2) adopt an amended budget for the Housing Development Unit of Sacramento Housing and Redevelopment Agency. Staff also recommends that the Council hold a public hearing to consider and approve the use of Community Development Block Grant Housing Rehabilitation funds for the rehabilitation component of the HOHAP Program.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: John Molloy 440-1357

2266D

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

IMPLEMENTATION OF PILOT HOME OWNERSHIP HOME ASSISTANCE PROGRAM

WHEREAS, there is a shortage in the County of Sacramento (the "County") and in the City of Sacramento (the "City") of decent, safe and sanitary housing, particularly of housing affordable by persons in the lower end of the purchasing spectrum, and a consequent need to encourage the construction, rehabilitation and improvement of homes affordable by such persons and otherwise to increase the housing supply in the County and in the City for such persons; and

WHEREAS, the Board of Supervisors of the County has adopted an ordinance declaring its intent to engage in a home mortgage finance program (the "Program") pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") in connection with the construction, acquisition, rehabilitation or improvement of homes in the County, all as provided for in the Act; and

WHEREAS, the Council has determined and approved that it is in the best interest of the City to adopt the Program and to consent to the operation of the Program by the County within the geographic boundaries of the City; and

WHEREAS, the County has approved and received proceeds from the issuance of Single Family Mortgage Revenue Bonds in 1988;

WHEREAS, the City has approved the Community Development Block Grant (CDBG) Deferred Payment Rehabilitation Program;

WHEREAS, the City Council conducted a public hearing regarding the use of CDBG Rehabilitation funds, and has determined it to be in the public's interest to use a portion of such funds for the pilot Home Ownership Home Assistance Program ("HOHAP");

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The Acting Executive Director of the Sacramento Housing and Redevelopment Agency (the "Agency") and/or his designee is hereby authorized on behalf of the City of Sacramento to take the necessary actions to establish, operate and administer the HOHAP as set out in the attached Staff Report to provide first mortgages, a Home Ownership Home Assistance Program deferred loan to cover the cost of closing and/or matching down payment and a deferred payment rehabilitation loan;

Section 2: Increase the Agency's revenues by \$125,000 to recognize receipt of payment of points and transfer from Fund balance (Fund #592) \$125,000 to Organization Code #5500, Cost Center #A08147 for the HOHAP loan fund;

Section 3: The CDBG Rehabilitation Loan funds may be allocated by the Redevelopment Agency of the City as necessary to provide rehabilitation loans with the HOHAP. The Rehabilitation Program may be amended to waive the six month occupancy requirement and permit general repairs as an eligible use under this Home Ownership Home Assistance Program.

Section 4: This resolution shall take effect from and after its adoption.

MAYOR

ATTEST:

CITY CLERK

1100WPP2(331)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

IMPLEMENTATION OF PILOT HOME OWNERSHIP HOME ASSISTANCE PROGRAM

WHEREAS, there is a shortage in the County of Sacramento (the "County") and in the City of Sacramento (the "City") of decent, safe and sanitary housing, particularly of housing affordable by persons in the lower end of the purchasing spectrum, and a consequent need to encourage the construction, rehabilitation and improvement of homes affordable by such persons and otherwise to increase the housing supply in the County and in the City for such persons; and

WHEREAS, the Board of Supervisors of the County has adopted an ordinance declaring its intent to engage in a home mortgage finance program (the "Program") pursuant to Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") in connection with the construction, acquisition, rehabilitation or improvement of homes in the County, all as provided for in the Act; and

WHEREAS, the Council has determined and approved that it is in the best interest of the City to adopt the Program and to consent to the operation of the Program by the County within the geographic boundaries of the City; and

WHEREAS, the County has approved and received proceeds from the issuance of Single Family Mortgage Revenue Bonds in 1988;

WHEREAS, the City has approved the Community Development Block Grant (CDBG) Deferred Payment Rehabilitation Program;

WHEREAS, the City Council conducted a public hearing regarding the use of CDBG Rehabilitation funds, and has determined it to be in the public's interest to use a portion of such funds for the pilot Home Ownership Home Assistance Program ("HOHAP");

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Acting Executive Director of the Sacramento Housing and Redevelopment Agency (the "Agency") and/or his designee is hereby authorized on behalf of the Redevelopment Agency of the City of Sacramento to take the necessary actions to establish, operate and administer the HOHAP as set out in the attached Staff Report to provide first mortgages, a Home Ownership Home Assistance Program deferred loan to cover the cost of closing and/or matching down payment and a deferred payment rehabilitation loan;

Section 2: Increase the Agency's revenues by \$125,000 to recognize receipt of payment of points and transfer from Fund balance (Fund #592) \$125,000 to Organization Code #5500, Cost Center #A08147 for the HOHAP loan fund;

Section 3: The CDBG Rehabilitation Loan funds may be allocated as necessary to provide rehabilitation loans with the HOHAP. The Rehabilitation Program may be amended to waive the six month occupancy requirement and permit general repairs as an eligible use under this Home Ownership Home Assistance Program.

Section 4: This resolution shall take effect from and after its adoption.

CHAIR

ATTEST:

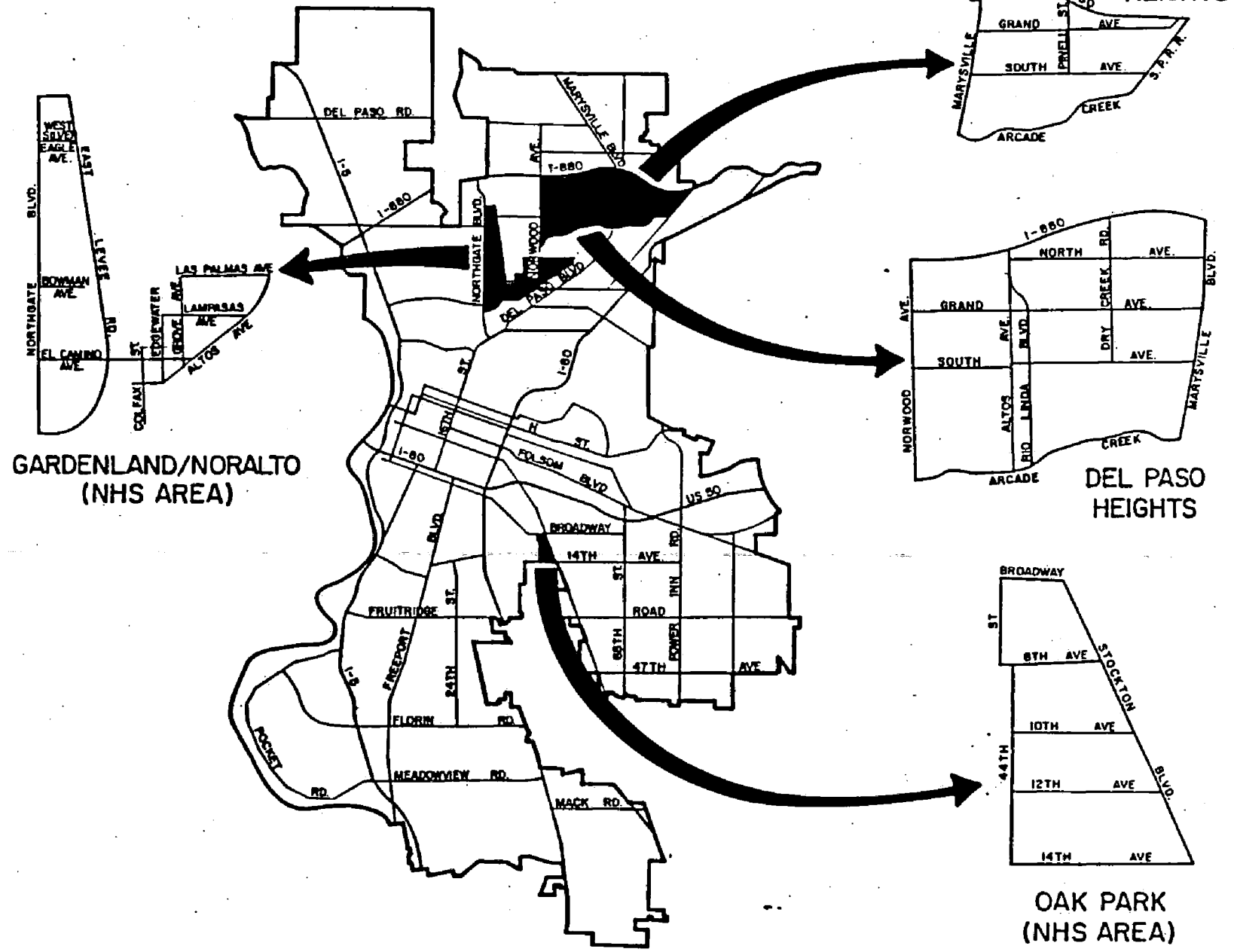
ASSISTANT SECRETARY

FOR CITY CLERK USE ONLY

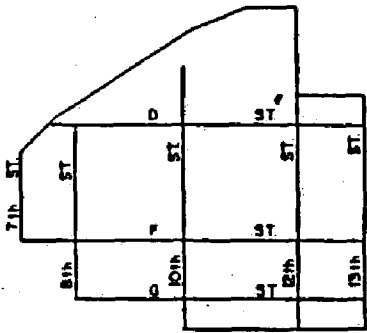
RESOLUTION NO.: _____

DATE ADOPTED: _____

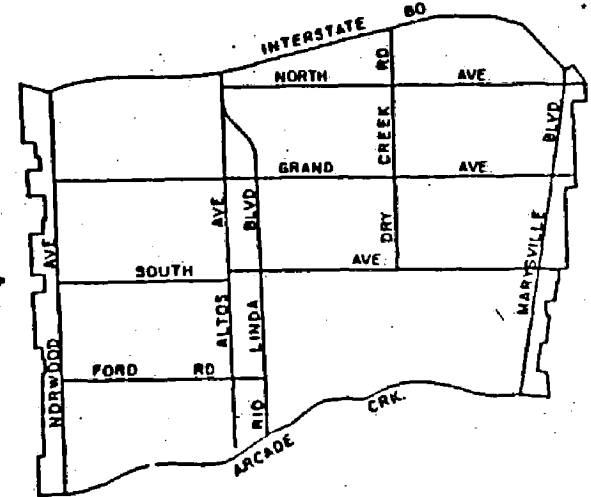
CDBG TARGET AREAS CITY OF SACRAMENTO



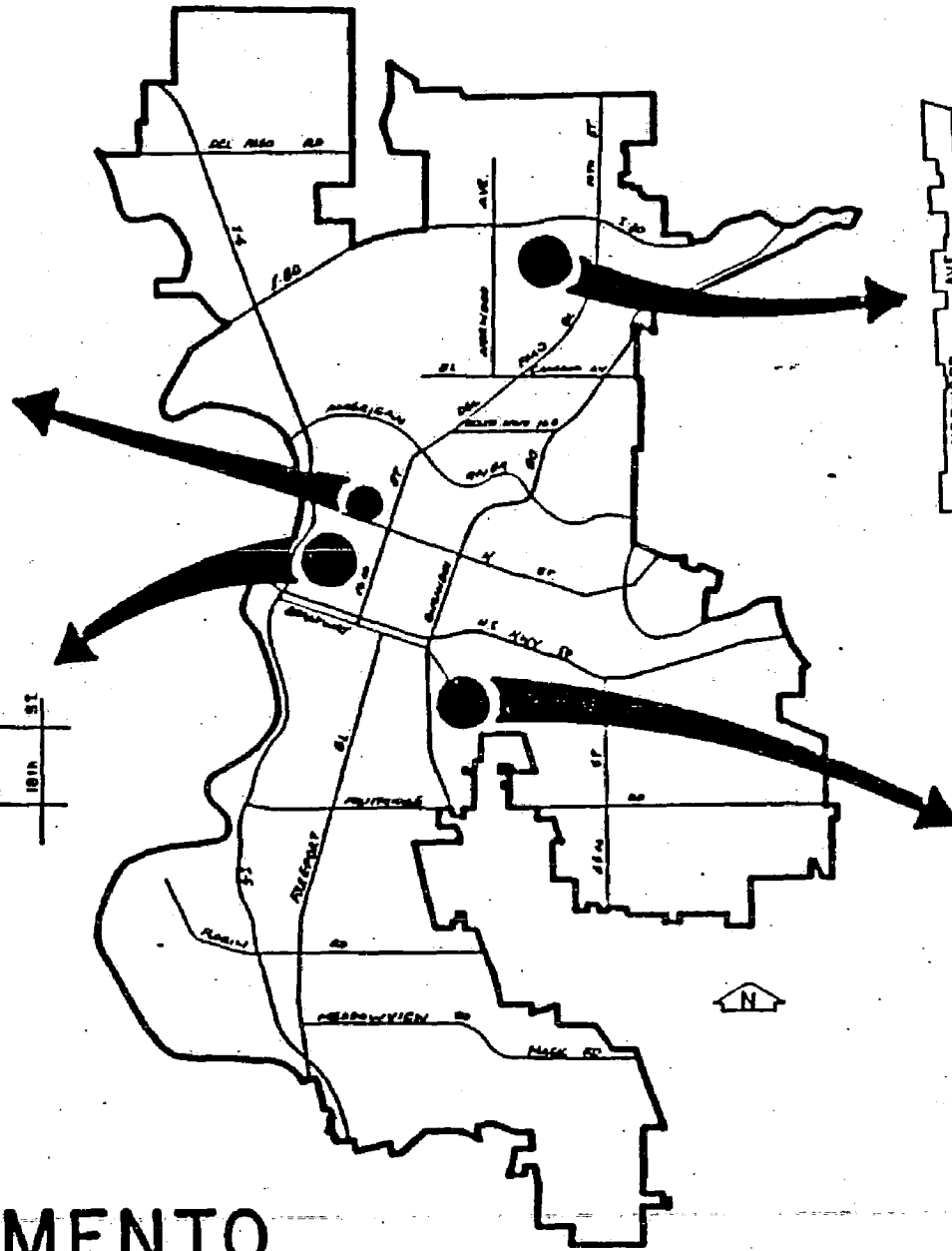
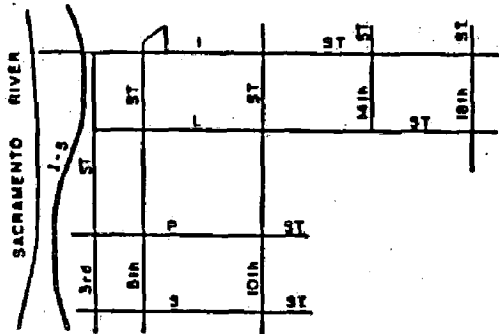
ALKALI FLAT



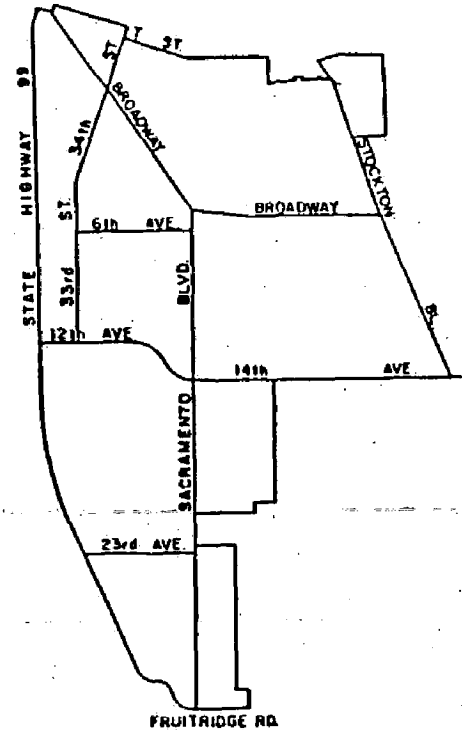
DEL PASO HEIGHTS



DOWNTOWN



OAK PARK

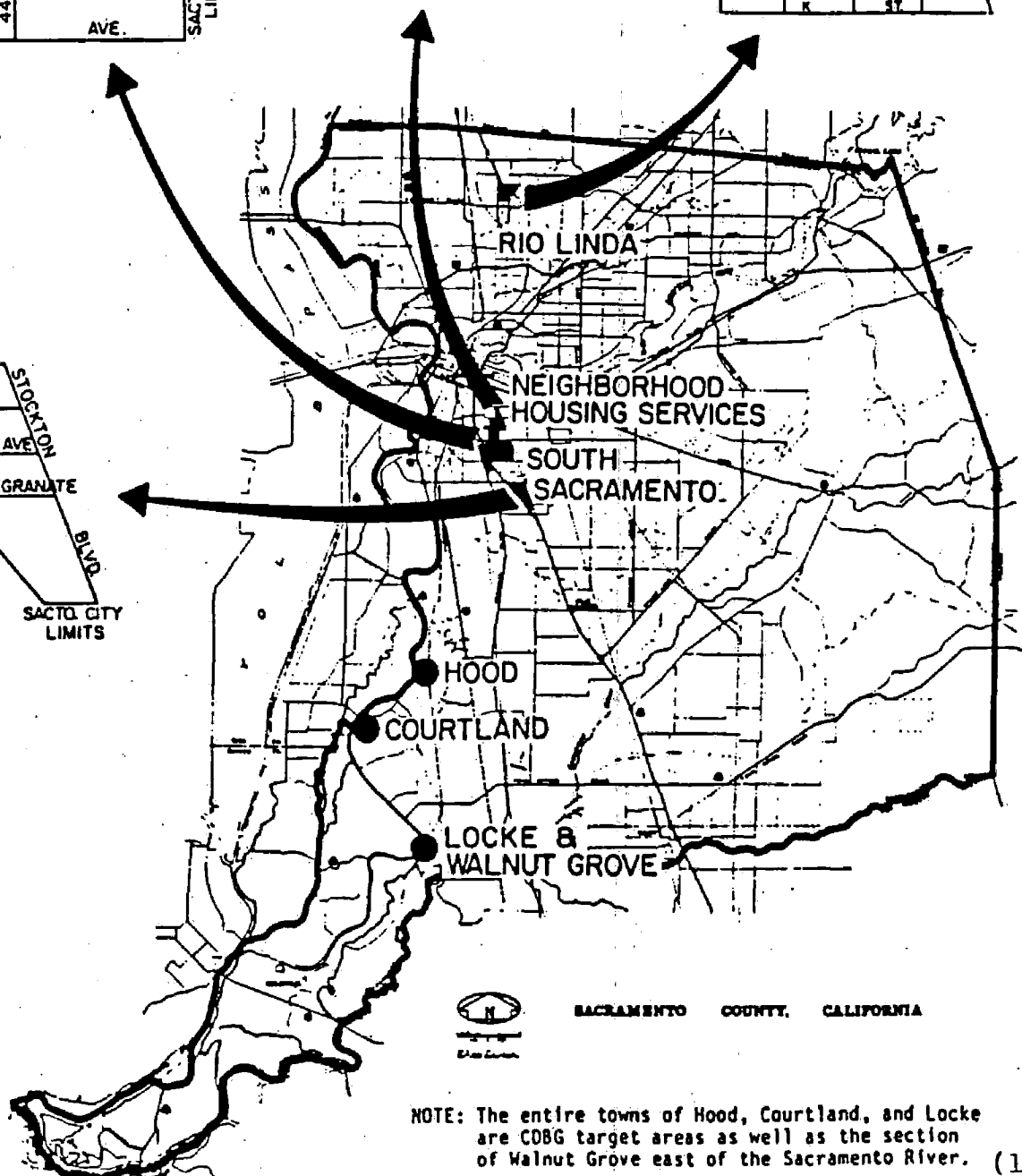
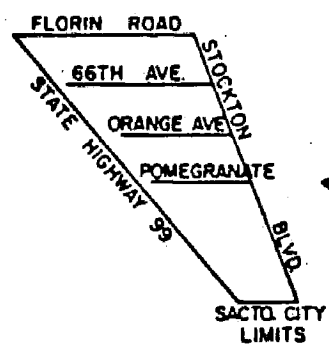
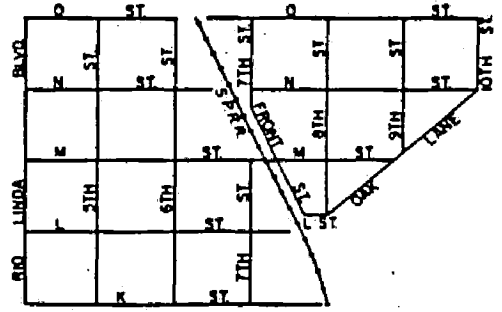
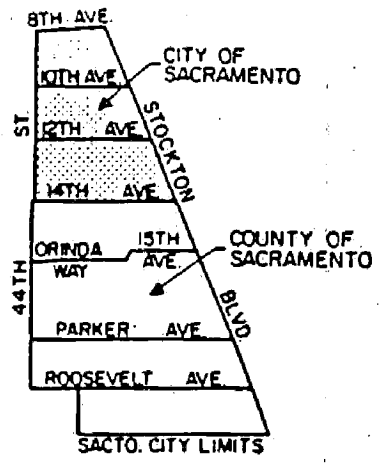
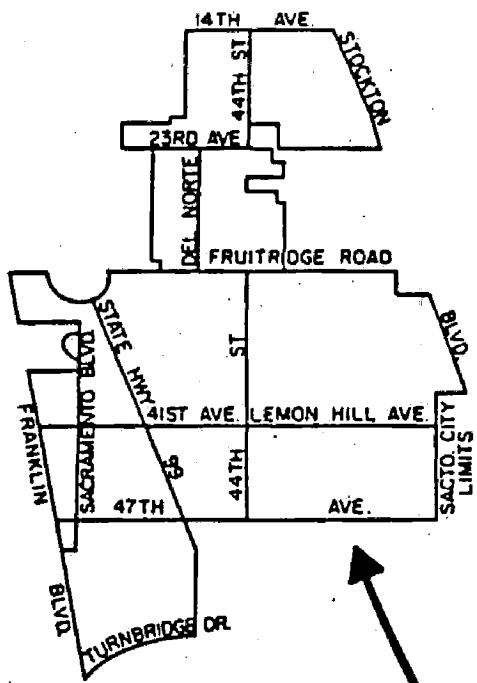


SACRAMENTO REDEVELOPMENT PROJECT AREAS

(13)

13

1988-90 CDBG TARGET AREAS



NOTE: The entire towns of Hood, Courtland, and Locke are CDBG target areas as well as the section of Walnut Grove east of the Sacramento River. (14)