

TO: JAMES L. APP, CITY MANAGER

FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: CALHOME FIRST-TIME HOMEBUYERS LOAN PROGRAM: STATUS REPORT AND APPLICATION FOR NEW GRANT

DATE: AUGUST 17, 2004

Needs: For the City Council to: (a) receive and file a status report on the 2001 Grant of \$500,000 in State CalHome Funds; and (b) to give staff direction regarding making an application for another grant of CalHome Funds.

- Facts:
1. In April 2001, the State Department of Housing and Community Development (HCD) awarded the City a grant of \$500,000 in CalHome Funds, which were to be used for making deferred-payment second mortgage loans to low income first-time homebuyers.
  2. State Law governing the CalHome Program limits participation to borrowers who qualify as being low income (earning 80% or less of the County's Median Income).
  3. The original state regulations governing the CalHome Loan Program set a maximum loan amount of \$30,000, which proved to be insufficient to allow a low income household to purchase a home in the City.
  4. In Summer 2003, the State revised the programs' regulations, allowing local jurisdictions to set their own the maximum loan amounts and debt ratios.
  5. On August 19, 2003, the City Council set the maximum loan amount for CalHome Loans at \$90,000.
  6. The City made its first CalHome Loan in December 2003 and its 6<sup>th</sup> and last loan under the current Grant in July 2003.
  7. Attached is a summary profile of the 6 CalHome loans.
  8. The City has used a total of \$492,200 of the \$500,000: \$489,500 were used for principle for the six loans; \$2,700 was used for loan administration fees (paid to the Housing Authority of the City of San Luis Obispo [HASLO], which administered the loan applications for the City) and for the City's expenses in providing mandatory homebuyer education for borrowers.
  9. The parameters for a CalHome Loan include the following:
    - Minimum term is 30 years, after which a balloon payment is due.
    - Interest Rate: 3% simple.
    - Loans are due on sale, transfer to other than spouse, repayment and refinancing of first mortgage. No assumptions are allowed, even by qualified CalHome borrowers.
    - Borrowers must reside in the home financed with the CalHome loan.
    - The first mortgage must be a 30 year, fixed-rate loan.
    - Homes financed must be located within Paso Robles city limits.

10. The Redevelopment Agency has allocated \$15,600 in Low and Moderate Income Housing (LMIH) Funds to supplement the CalHome Grant. A total of \$2,400 in LMIH funds were used to supplement CalHome funds for HASLO's loan administration fees (\$400 per loan).
11. The CalHome Grant Program is competitive. There is no "requirement" for local matching funds.
12. The deadline for filing an application for 2004 CalHome funds is September 15, 2004. The application must include a resolution of the City Council authorizing the application.

**Analysis and  
Conclusion:**

In 2001, given economic conditions and the previous CalHome regulations, the City believed that \$500,000 could provide 23-24 first-time homebuyer loans. However, the lowest CalHome loan made came to \$65,000, and four loans were for the full \$90,000 allowed by the City. Assuming that economic conditions remain relatively static in the next year, a new grant of \$500,000 could provide 6 more loans for low income households. Should interest rates rise appreciably, it may be necessary for the Council to raise the maximum loan amount above \$90,000.

Of the 6 loans made, only three borrowers actually lived within City limits at the time that they applied for a loan. Staff has confirmed with HCD that the City may impose a requirement that borrowers either reside or work within City limits in order to be eligible for a CalHome loan. If the City is successful in obtaining a new grant, the Council will be asked to confirm and/or amend the loan parameters, including consideration of a City residency/employment requirement.

**Policy**

**Reference:** State laws and regulations governing the CalHome Program; 1999 Redevelopment Implementation Plan

**Fiscal Impact:** No impact to the General Fund. If the Council desires to apply for a new CalHome Grant, the balance of \$12,200 in LMIH Funds presently allocated to supplement the Grant should be sufficient to continue to cover HASLO's loan administration fees for 6 loans.

- Options:**
- a. (1) Receive and file this status report on the 2001 CalHome Grant Program; and (2) adopt Resolution No. 04-xx authorize the filing of an application for 2004 CalHome funds.
  - b. Amend, modify or reject the foregoing option.

**Prepared By:**

Ed Gallagher  
Housing Programs Manager

**Attachments:**

1. Resolution Authorizing an Application for 2004 CalHome Funds
2. Summary Profile of First-Time Homebuyer's Loans Made with 2001 CalHome Funds

RESOLUTION NO. 04-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES  
AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT  
OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE CALHOME  
PROGRAM; THE EXECUTION OF A STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING  
AND ANY AMENDMENTS THERETO; AND ANY RELATED DOCUMENTS NECESSARY TO  
PARTICIPATE IN THE CALHOME PROGRAM

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WHEREAS, the City of El Paso de Robles, a political subdivision of the State of California, wishes to apply for and receive an allocation of funds through the CalHome Program; and:

WHEREAS, the California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") for the CalHome Program established by Chapter 84, Statutes of 2000 (SB 1656 Alarcon), and codified in Chapter 6 (commencing with Section 59650) of Part 2 or 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 Guidelines adopted by HCD on August 15, 2003; and

WHEREAS, the City of El Paso de Robles wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of \$500,000.

NOW, THEREFORE, BE IT RESOLVED, by City Council of the City of El Paso de Robles that

1. The City of El Paso de Robles shall submit to HCD an application to participate in the CalHome Program in response to the NOFA issued on July 15, 2004 which will request a funding allocation for the following activity:
  - a. First-time homebuyers mortgage assistance for lower income households, from the General NOFA, in the amount of \$500,000. All homes to be purchased with CalHome Funds under this grant shall be located within the corporate limits of the City of El Paso de Robles.
2. If the application for funding is approved, the City of El Paso de Robles hereby agrees to use the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program guidelines cited above. It may also execute any and all other instruments necessary or required by HCD for participation in the CalHome Program.
3. The City of El Paso de Robles authorizes the City Manager to execute in the name of the City of El Paso de Robles, the Standard Agreement, and all other documents required by HCD for participation in the CalHome Program, and any amendments thereto.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 17th day of August, 2004, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Frank R. Mecham, Mayor

ATTEST: I hereby attest and certify that the foregoing is a true and full copy of a resolution of the City Council of the City of El Paso de Robles adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended or repealed.

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Sharilyn M. Ryan, Deputy City Clerk

## 2001 CalHome Grant Summary Profile of First-Time Homebuyers Loans

<b>Borrower</b>	<b>#1</b>	<b>#2</b>	<b>#3</b>	<b>#4</b>	<b>#5</b>	<b>#6</b>
Address of Home	714 Tanner, C-1	130 Creston	1129 Stoney Creek	1137 Turtle Creek	640 Bolen	637 Nicklaus
Prior Address	Paso Robles (City)	Paso Robles (City)	SLO	Atascadero	Paso Robles (City)	Paso Robles (Area)
Workplace	A&R Furniture	Sunview Shandon	Spice Hunter SLO	Vaughn Surveys	Farm Labor/JIT	Longs Drug - Paso
# in Household	3	5	4	1	5	5
Borrower Income	38,366	46,532	48,121	28,719	46,249	44,045
Income Threshold	41,550	53,300	49,350	34,550	53,300	53,300
Purchase Price	182,000	262,500	379,900	269,000	255,000	190,000
Closing Costs	4,108	6,831	14,203	5,225	7,264	5,690
Total Settlement	186,108	269,331	394,103	274,225	262,264	195,690
1st Mortgage	109,500	185,500	270,905	130,000	165,000	120,000
Interest Rate	5.75	6.24	5.75	5.625	6.28	4.5
CalHome Loan	75,600	78,900	90,000	90,000	90,000	65,000
CH Loan as % of Purchase Price	41.5%	30.1%	23.7%	33.5%	35.3%	34.2%
Cash Offered	1,008	4,931	24,650	53,700	7,264	10,690
Other Credits			8,548	525		
Notes			Sellers paid \$8,548 of buyers closing costs			

Income Threshold = maximum income to qualify as being low income (as a function of the number of persons in each household).