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**Sacramento
Housing &
Redevelopment
Agency**

January 17, 2001



Redevelopment Agency
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: MODIFICATION TO FIRST-TIME HOMEBUYER PROGRAM FOR
GREENFAIR'S HOMEOWNERS**

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolution which authorizes the Executive Director or her designee to waive, for homeowners in the Greenfair housing development described below, the "first-time homebuyer" requirement of the Agency's First-Time Home Buyer Program (FTHB).

CONTACT PERSONS

Carla Christain, Program Manager, (916) 264-1524
Beverly Fretz-Brown, Director of Development Services, (916) 440-1347

FOR COUNCIL MEETING OF - January 23, 2001

SUMMARY

The U. S. Department of Housing and Urban Development has offered the homeowners in the Greenfair housing development cash buyouts because of building deficiencies. In order to assist the owners to purchase new homes, the Agency is recommending waiving the "first-time homebuyer" requirement of the Agency's FTHB program for income eligible Greenfair's homeowners.

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COMMISSION ACTION

At its meeting of January 17, 2001, it is anticipated that the Sacramento Housing and Redevelopment Commission will recommend approval of the attached resolution. In the event it fails to do so, you will be advised prior to your January 23rd meeting.

BACKGROUND

The Greenfair housing development in north Tahoe Park was built in 1972 as an Operation Breakthrough homeownership project of the U. S. Department of Housing and Urban Development. Located on the old county fairgrounds site on Broadway, the condominium development demonstrated the use of six different building systems, designed and manufactured by private contractors, each using different experimental materials and/or methods of construction.

Deficiencies in the materials and building systems accelerated the deterioration of the housing in the 1990s, resulting in HUD's purchase and demolition of 45 units in 1997. HUD's commissioned a structural engineering report in January 2000 to analyze the remaining failing systems. The report found two additional systems (50 homes) to be unsafe to occupy and lacking any known feasible method of repair, with a third system awaiting a final decision. HUD has offered the owners cash buyouts, based primarily on size and highest ten-year value. HUD intends to demolish the units after repurchase.

In order to assist the Greenfair homeowners to purchase new homes in an accelerating market, the Sacramento Housing and Redevelopment Agency recommends that the Agency's First Time Home Buyer program for downpayment and closing cost assistance be made available to Greenfair's income eligible homeowners by waiving the "first-time homebuyer" requirement. All other elements of the program would remain the same. The Agency estimates that 10 to 15 households in the two cited systems will qualify for the assistance, out of a total of 20 owner-occupants. (The balance of the units are rented or vacant.) The program's guidelines are found in Attachment I.

(It should be noted that the two high-rise apartments for low-income senior citizens located on the site were built conventionally and are in sound condition.) The Agency will report back to Council in several months to recommend a rebuilding strategy for Greenfair.

FINANCIAL CONSIDERATIONS

There are no new funds being requested with this staff report.

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POLICY CONSIDERATIONS

Waiving the "first-time homebuyer" requirement of the FTHB program for Greenfair's homeowners will allow them to use the FTHB program for downpayment and closing cost assistance when purchasing another home in the City of Sacramento.

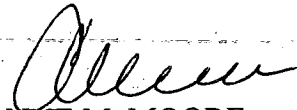
ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378(b) (3), or a federal undertaking under NEPA.

M/WBE CONSIDERATIONS

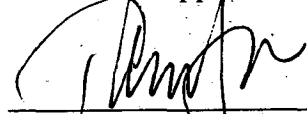
The items discussed in this report have no M/WBE impact, therefore M/WBE considerations do not apply.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager



FIRST-TIME HOME BUYER PROGRAM ADMINISTRATIVE GUIDELINES

I. PROGRAM DESCRIPTION AND GOAL

A. Program Description

The Sacramento City Council and the Sacramento County Board of Supervisors have authorized the First-Time Home Buyer Program (FTHB) to help home buyers purchase homes by providing financial assistance towards down payment and closing costs.

B. Goal

The goal of the FTHB program is to help first-time, low income home buyers purchase homes which they can afford with a minimal amount of Agency assistance in order to promote home ownership.

II. PROGRAM TERMS AND CONDITIONS

A. Form of Assistance – A forgivable promissory note in favor of the Agency.

B. Calculation of Assistance – The assistance is calculated at four percent (4%) of the value of the property, as defined herein and subject to the limitations below. In the FTHB Target Areas of Oak Park, Del Paso Heights, Southside Park, Franklin Boulevard, and North Sacramento, the assistance is calculated at five percent (5%) of the value of the property.

C. Maximum Assistance Amount – The maximum amount of assistance is \$5,000.

D. Interest Rate – The interest rate is five percent (5%) per annum, simple.

E. Term – The loan has a ten year (10) term or is due upon sale or refinancing of the property. (Sale prior to year 10 may be subject to recapture provisions).

F. Loan-To-Value – The total of all loans secured by the property shall not exceed 102% of value on conventional financing. When combined with FHA financing the sum of all financing may not exceed 100% of the value of the property including all closing costs (this may result in CLTV exceeding 102%). "Value" shall mean the lesser of the appraised value of the property

or the unsubsidized sales price. Waivers may be granted for non-Agency subordinate financing.

- G. Use of funds** – The funds may be used to pay for a portion of the buyer's down payment and closing costs.
- H. Borrower Contribution** – The applicant/borrower must contribute a minimum cash amount towards the purchase price to be determined by the first mortgage lender. The minimum cash contribution required by the FTHB program is \$500.
- I. Application Fee** – There is a \$50 application fee to reserve FTHB funds. This is a non-refundable fee.
- J. Other terms**
 - 1. Loans may be secured by a subordinated deed of trust on the property.
 - 2. The principal amount of the promissory note and proportionate share of accrued interest shall be forgiven for properties located: 1) in the City of Sacramento at the rate of 12.5% per year, beginning in the third year of the loan; 2) in the County of Sacramento at the rate of 10% per year, beginning in the first year of the loan.
 - 3. Borrowers must maximize their use of funds provided by the first mortgage lender. This may be evidenced by either 1) a housing ratio of greater than or equal to 30% or 2) a loan-to-value ratio of the first mortgage of greater than or equal to 95%.
 - 4. Funding is contingent upon the applicant/borrower obtaining a first mortgage loan.
 - 5. First mortgage financing may be FHA insured mortgages, CHFA mortgages, conventional mortgages, PERS mortgages.
 - 6. All applicants must attend two homebuyer education classes, including "The Home Buying Process" (or equivalent) and "Home Maintenance/Good Neighbors", and receive completion certificates for each class.
 - 7. Agency loans are assumable by qualified purchasers, subject to Agency approval.
 - 8. Loan funds may be used in conjunction with Mortgage Credit Certificates only in Agency-designated target areas.
 - 9. Non-occupant co-mortgagors are not allowed. A co-signor may be allowed.

III. APPLICANT ELIGIBILITY

A. First-Time Home Buyer

The applicant/borrower must be a first-time home buyer, which means that he/she has not owned a home as his/her principal residence within the preceding three (3) years. The applicant/borrower will be required to submit three years certified Federal tax returns to show compliance with this requirement.

1. The “first-time home buyer” requirement is waived in the following cases:
 - a. Del Paso Heights Home Buyer Program
 - b. North Sacramento Home Buyer Program
 - c. Greenfair’s homeowners who purchase a home in the City of Sacramento

B. Qualifying Income Limits

The qualifying income* of an applicant/borrower must not exceed 80% of the area median, adjusted for family size as determined by HUD. As of March 9, 2000, the 80% of median income figures are as follows:

Household Size	80% of Median
1	\$29,600
2	\$33,850
3	\$38,100
4	\$42,300
5	\$45,700
6	\$49,100

In the FTHB Target Areas of Oak Park, Del Paso Heights, Southside Park, Franklin Boulevard, and North Sacramento, the qualifying income* must not exceed 120% of the area median, adjusted for family size as determined by HUD. As of March 9, 2000, the 120% of median income figures are as follows:

Household Size	120% of Median
1	\$44,450
2	\$50,800
3	\$57,150
4	\$63,500
5	\$68,600
6	\$73,650

*Qualifying income is calculated by totaling current gross income for all persons 18 years of age or older who will occupy the residence. The income is annualized forward over a twelve-month period. Income includes all salaries, wages, overtime, and bonuses before payroll deductions. It also includes earnings from interest on savings and checking accounts, dividend payments, retirement/pension payments, annuity payments, social security payments, unemployment, disability, public assistance, alimony, child support or regular gifts. Imputed income from assets in excess of \$5,000 will be included in qualifying income.

IV. PROPERTY GUIDELINES

- A.** The property must be located within the City or County of Sacramento.
- B.** The property may be a single family dwelling or condominium unit. Duplexes, fourplexes, or mobile homes are not eligible.
- C.** The property must be occupied by the borrower as his/her principal residence for the term of the Agency loan. The home may not be rented without prior approval of the Agency.
- D.** The appraised value may not exceed the HUD Section 203(b) mortgage limit for the area, which is currently \$177,650.
- E.** The property must meet minimum housing quality standards. A property inspection will be required. (On FHA first mortgages, the FHA appraisal will be accepted in place of an Agency property inspection.) Any items not meeting minimum housing quality standards must be repaired prior to close of escrow.
- F.** Lead-based Paint

New Lead-Based Paint regulations went into effect on September 15, 2000. These regulations apply to the FTHB programs funded with HOME funds. Please refer to "Lead-Based Paint Hazard Procedures First-Time Homebuyer Program and Homebuyer Assistance Program" for these requirements and procedures.

- G.** Flood Insurance

If the property is located in a special flood hazard area, flood insurance will be required.

APPROVED
JAN 23 2001
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2001-005

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**WAIVER OF FIRST-TIME HOMEBUYER PROGRAM
REQUIREMENT FOR GREENFAIR HOMEOWNERS**

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

Section 1. For homeowners in the 1972 U. S. Department of Housing and Urban
Development Operation Breakthrough homeownership project in the Tahoe Park section of the
City and known as the Greenfair housing development, the Executive Director is authorized to
waive the requirement of the First-Time Homebuyer Program that the applicant be a "first-time
homebuyer".

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____