



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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Agency Rpt

May 6, 1985

APPROVED
BY THE CITY COUNCIL

MAY 14 1985

OFFICE OF THE
CITY CLERK

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CITY OF SACRAMENTO
MAY 25 AM '85

Sacramento City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Participation in the California Homeownership Assistance Program - Fruitridge Habitat Subdivision

SUMMARY

This report recommends authorization for submission of an application to the State Department of Housing and Community Development for a commitment of \$200,000 in equity-sharing funds to the Fruitridge subdivision under the California Homeownership Assistance Program (CHAP).

BACKGROUND

The State of California, through the Department of Housing and Community Development (HCD), is requesting proposals from qualified local governmental agencies for funding commitments under the CHAP. Subject to the authorization of funds, the HCD will provide a total of \$1,800,000 in loan commitments for projects proposed under this Request for Proposals (RFP).

The CHAP is an equity-sharing mechanism whereby the State can assist low-income families in purchasing a home. The State can provide up to forty-nine percent (49%) of the purchase price in the form of a mortgage participation with an institutional lender. Upon sale of the unit, the State will share in the sale proceeds in an amount proportionate to its original investment. The balance of financing for the purchase will come from private lending institutions. Under this program, HCD may assist a household to purchase a factory-built or manufactured home placed on a permanent foundation outside a rental park.

The easiest way to understand the Homeownership Co-investment (HCI) concept on which the CHAP is based, is to think of it as a partnership. The State essentially becomes a partner with a

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homebuyer who cannot otherwise afford to purchase a home. Because of the State's investment in the home, the homebuyer's down payment and/or monthly payments are reduced. In exchange for its assistance, the State obtains a "share" in the property and is entitled to a percentage of the profits when the home is sold.

For example, an eligible family can afford to buy a \$50,000 home with a \$3,000 down payment and a \$47,000 mortgage. However, since the least expensive home available in the area sells for \$60,000, the family would seek a \$10,000 co-investment from the State for the difference. In this case, the State would effectively purchase a \$10,000 "share" of the \$60,000 home. The State would have a one-sixth interest in the property and the family would own the remaining five-sixths. When the family sells its home, the family and the State would share the proceeds in proportion to their interest in the property. If for example, the property is sold for \$90,000, the State would receive its initial investment (\$10,000), plus one-sixth of the \$30,000 appreciation (\$5,000), for a total of \$15,000. The family would retain the balance of the sale proceeds (\$75,000), including five-sixths of the appreciation (\$25,000).

Applications for funding commitments are made by local governmental agencies on behalf of interested developers. The local government has no financial responsibilities, but must monitor programs, assure that prospective homeowners are counseled and, in general assist in making the project successful.

To solicit local proposals, the Sacramento Housing and Redevelopment Agency (SHRA) published a notice of the availability of State funds. The request of Fruitridge Habitat is one of several received by the Agency.

Fruitridge Habitat is a not-for-profit corporation involved in the development of affordable housing. This project will involve eight lots on Toy Avenue in the Woodbine area (see attached map).

The proposed homes will be manufactured by Champion Homes and will be priced at approximately \$60,000. Each 3-bedroom, 2-bath home will contain 1,344 square feet and have an attached garage. Interior walls will be sheetrocked; siding material will be hardboard, and roofing materials will be fiberglass shingles. Energy conservation features will be included. All will be built on permanent foundations.

The developer is seeking a commitment of \$200,000 in State funds. This would be sufficient to assist approximately 8 to 10 low-income families to achieve home ownership.

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ENVIRONMENTAL REVIEW

No environmental review is required.

POLICY IMPLICATIONS

The actions proposed in this report are consistent with the Housing Assistance Plan (HAP) and the goals and policies in the 1980 Housing Element.

FINANCIAL DATA

There are no fiscal implications for the City.

VOTE AND RECOMMENDATION OF COMMISSION:

At its regular meeting of May 6, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Lopez, Luttrell, Ose, Pettit, Sanchez,
Teramoto, Walton

NOES: None

ABSENT: Moose, Wooley, Angelides

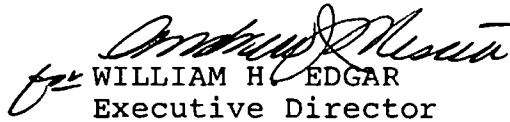
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RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing submission of an application for a commitment of funds under the CHAP and authorizing the Executive Director of the Sacramento Housing and Redevelopment Agency, on behalf of the County of Sacramento, to execute a contract and any amendments that may be necessary in the event an award is granted.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

WHE/LS:cmh

TRANSMITTAL TO COUNCIL:


For: WALTER J. SLIPE
City Manager

City Council

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RESOLUTION NO. 85-375

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

May 14, 1985

PARTICIPATION IN THE CALIFORNIA HOMEOWNERSHIP ASSISTANCE PROGRAM - FRUITRIDGE HABITAT

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

Section 1: The City of Sacramento is hereby authorized to enter into an agreement with the State of California to accept a financial commitment in an amount not to exceed \$200,000 for the purpose of providing homeownership assistance loans for new housing under the California Homeownership Assistance Program (CHAP) in the Fruitridge Habitat Subdivision.

Section 2: The Executive Director of the Sacramento Housing and Redevelopment Agency is hereby authorized to execute the agreement approved in Section 1 above, on behalf of the City of Sacramento and to approve any subsequent amendments to said agreement, including increases or decreases in the funding level or changes in the project to be financed under the agreement, and to sign any other documents on behalf of the City in connection with the agreement.

MAYOR

ATTEST:

CITY CLERK

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APPROVED
BY THE CITY COUNCIL

MAY 14 1985

OFFICE OF THE
CITY CLERK

