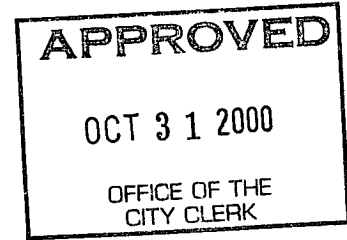
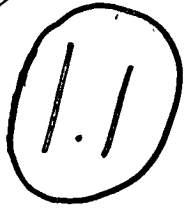




**Sacramento
Housing &
Redevelopment
Agency**

October 18, 2000



Redevelopment Agency and the City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: TEACHER HOME PURCHASE PROGRAM MODIFICATION; FIRST-TIME
HOMEBUYER PROGRAM MODIFICATION; HOMEBUYER ASSISTANCE
PROGRAM MODIFICATION

LOCATION & COUNCIL DISTRICT - City

RECOMMENDATION

Staff recommends adoption of the attached resolution(s) which modify the Teacher Home Purchase Program downpayment assistance guidelines.

CONTACT PERSONS

Carla Christian, Program Manager, 264-1524
Richard Nelson, Director of Program Operations, 440-1338

FOR COUNCIL MEETING OF - October 31, 2000

SUMMARY

On September 12, 2000, the California Debt Limit Allocation Committee (CDLAC) awarded the Sacramento Housing and Redevelopment Agency an allocation of Mortgage Credit Certificates (MCCs) under the Extra Credit Teacher Home Purchase Program. This staff report authorizes technical modifications to the Agency's downpayment assistance programs, the First-Time Homebuyer and the Homebuyer Assistance Programs, that are being offered in conjunction with this program.

COMMISSION ACTION

At its meeting October 18, 2000, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

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AYES: Amundson, Burns, Dobbins, Graham, Harland, Holloway, Newsome,
Rotz, Simon
NOES: None
NOT PRESENT TO VOTE: Cespedes
ABSENT: Castello

BACKGROUND

On June 27, 2000, the City Council adopted the Teacher Home Purchase Program whose purpose is to recruit and retain teachers and principals in low-performing schools by offering housing assistance to teachers who agree to work in these schools for a period of five years. The Agency's application to the California Debt Limit Allocation Committee was one of only seven successful applications within the state and was awarded \$3,773,472 in Mortgage Credit Certificates to use under this program. Staff is currently meeting with all the school districts in Sacramento that have low-performing schools and expect to have the program operational the first part of November.

CDLAC required that local agencies offer downpayment assistance together with MCCs and gave priority to jurisdictions that offered downpayment assistance in the amount of \$7,500. The Agency proposed combining two of the Agency's programs, the First-Time Homebuyer Program (FTHB) for \$5,000 and the Homebuyer Assistance Program (HAP) grant of \$2,500 for a total of \$7,500.

Current FTHB guidelines state the amount of the assistance is calculated at four percent of the sales price with a maximum of \$5,000. In order to reach \$5,000, the sales price would need to be at least \$125,000. Staff recommends that the FTHB Program be modified to offer \$5,000 of assistance even when the sales price is less than \$125,000, for all participants in the Teacher Home Purchase Program. This change would also apply to the redevelopment area programs when used in connection with the Teacher Home Purchase Program. Also, for consistency with MCC provisions, the first-time homebuyer status may be waived in the federally designated target areas for teachers purchasing under the Teacher Home Purchase Program.

For the purposes of the Teacher Home Purchase Program, staff recommends that HAP be modified to allow direct principal reduction. Currently, a qualified purchaser may only use this grant for closing costs and a portion of the downpayment.

The California Debt Limit Allocation Committee also required that the downpayment assistance program include an incentive to encourage the teacher to fulfil the service requirement of teaching at a low-performing school for a period of five years. Currently, under the FTHB, the term of the loan is for ten years. This staff report recommends structuring the downpayment assistance loan to be deferred for five years, then forgiven in year six if the teacher has remained at the low-performing school for the five-year requirement. If the teacher has served less than the full five-year service requirement, the loan would instead be forgiven over the last five years of the term of the loan. The teacher, as with any MCC holder, would also be subject to the federal

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recapture provisions under the Mortgage Credit Certificate program if the house is sold within nine years whether or not the five-year service requirement was met.

The above changes are incorporated in the revised Teacher Home Purchase Program Guidelines as Attachment I.

FINANCIAL CONSIDERATIONS

There are no new funds being requested with this staff report. The downpayment assistance is being provided from Agency's existing programs.

POLICY CONSIDERATIONS

The modification to the Teacher Home Purchase Program will enable the Agency to provide \$7,500 of downpayment assistance to each teacher purchasing under this program and will provide an incentive for the teacher to remain in the low-performing school for a period of five years.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b) (3), nor 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



TEACHER HOME PURCHASE PROGRAM PROGRAM GUIDELINES

I PROGRAM DESCRIPTION

The California Debt Limit Allocation Committee adopted the Extra Credit Teachers Home Purchase Program whose purpose is to recruit and retain teachers and principals in low-performing schools. The Sacramento City Council and the Sacramento Board of Supervisors have authorized the Teacher Home Purchase Program. The Teacher Home Purchase Program is a program designed to provide housing assistance to teachers or principals working in a low-performing school. The program offers Mortgage Credit Certificates and Agency downpayment assistance.

II PROGRAM TERMS AND CONDITIONS

Eligible Teachers and Principals

Teachers must be fully credentialed and employed full-time in a low performing school in the grade levels as authorized by his or her credential. Principals must be fully credentialed and employed full-time in a low performing school.

All eligible teachers and principals must agree to serve for a minimum of five years in a low-performing school.

Low Performing School

A low performing school is designated as a K-12 public school ranked in the bottom 30% based on the most recent Academic Performance Index (API) i.e. schools that have received an API statewide ranking of a 1,2, or 3.

Program Eligibility

The employing school district must complete and submit a "Program Eligibility Certificate" certifying that the applicant is eligible to participate in the program.

Other Requirements

The buyer must be a first-time homebuyer. This is defined as not having an ownership in a principal residence in the last three years. In federally designated target areas, this requirement does not apply.

The buyer must intend to occupy the home. The buyer's total household income must not exceed the following income and Purchase Price Limitations:

Maximum Annual Gross Income **Non-Target Area**

1 or 2 person household	\$55,400
3 or more person household	\$63,710

Maximum Purchase Price **Non-Target Areas** **Target Areas**

New Homes	\$153,710	\$187,860
Existing Homes	\$134,260	\$164,010

III DOWNPAYMENT ASSISTANCE

The Agency is making downpayment assistance available in the amount of \$7,500. This consists of the First Time Homebuyer Program (FTHB) of \$5,000 and the Homebuyer Assistance Program (HAP) of \$2,500.

First-Time Homebuyer Program

The First-Time Homebuyer Program may be funded with HOME, Tax Increment funds, or Mortgage Revenue Bond funds. The HOME funds will be used for buyers that meet the 80% of median income limits, the Tax Increment funds may be used in the redevelopment areas having a special FTHB program with higher income limits, and the Mortgage Revenue Bond funds will be used in all other cases. However, in no case shall the income exceed the above stated income limits for the program.

Amount of Assistance – The amount of the assistance of the FTHB program will be \$5,000.

Form of Assistance – The assistance is in the form of a deferred/forgivable promissory note secured by a deed of trust on the property.

Interest rate – Five percent (5%) per annum, simple.

Term of Loan – Ten (10) years or due upon sale or refinancing of the property.

Repayment of Assistance – The loan shall be deferred for the first five years of the loan. If the teacher remains in the low-performing school for five years, the entire balance of principal and accrued interest of the FTHB loan shall be forgiven in the beginning of year six, upon confirmation that the service requirement has been met. If the service requirement has not been met, the principal and accrued interest would be forgiven incrementally over the remaining five years of the loan at the rate of 20% per year.

Please refer to the California Debt Limit Allocation Committee's guidelines on exceptions to the five-year continuous employment requirement.

For consistency with the MCC guidelines, the first-time homebuyer status may be waived if the property is located in the federally designated target areas.

There is a \$145 fee in conjunction with the FTHB program.

Please refer the First-Time Homebuyer Program Guidelines for other Program requirements.

Homebuyers Assistance Program (HAP)

The HAP Program will be funded with CDBG funds for those buyers that meet the 80% of median income limits of that program. MRB funds will be used for those buyers that exceed the 80% income limits.

Amount of Assistance - \$2,500

Form of Assistance – The assistance is in the form of a grant which does not need to be repaid.

In addition to providing funds for downpayment assistance and closing costs, the funds may be used as a direct principal reduction to reduce the mortgage amount.

Please refer to Homebuyer Assistance Program Guidelines for other requirements.

IV MORTGAGE CREDIT CERTIFICATES

Please refer to the Agency's Mortgage Credit Certificate Manual for full program guidelines and procedures.

The Mortgage Credit Certificate (MCC) Program is being offered by the Sacramento Housing and Redevelopment Agency (SHRA) to help home buyers purchase homes in areas within the cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Galt and Isleton and the County of Sacramento. The MCC reduces the amount of the Federal income tax the buyer pays, resulting in more available income to qualify for a mortgage loan and to make monthly mortgage payments.

How the MCC Works

Eligible buyers will receive a tax credit for (15%) fifteen percent of the annual interest paid on the mortgage loan. The amount of the credit will not be more than the buyer's annual federal income tax liability after all other credits and deductions have been taken into account. The buyer's ability to take full advantage of the tax credit will depend on the buyer's individual tax liability.

For Example:

The buyer obtains a mortgage loan of \$115,000 from a lender at an interest rate of (7.5%) seven and one-half percent for thirty (30) years. In the first year, the interest on this loan would amount to \$8,589. With a fifteen percent (15%) MCC, the borrower would receive a Federal income tax credit of \$1,288 or more after all other credits and deductions have been subtracted, the borrower would receive all the benefits of the MCC. The borrower would file a revised W-4 withholding form, and the Federal taxes would be reduced by \$107 per month (\$1,288 divided by 12).

The dollars saved in Federal taxes can go toward the monthly mortgage payment, effectively reducing the mortgage interest rate to an approximate initial rate of 6.125% based on cash flow available to the borrower. If the tax liability was under \$1,288—\$1,000 for example – the Federal income tax would be reduced by \$1,000.

V. PROGRAM APPLICATION AND TERMS

The interested homebuyer may apply to participate in the Teacher Home Purchase program by contacting any of the participating lenders. The Agency includes a list of participating lenders with the program fact sheet. The lender submits the program application forms to the Agency.

Program Eligibility

As mentioned earlier, the school district must complete and submit a "Program Eligibility Certificate" certifying that the applicant is eligible to participate in the program.

Program Fees

There is a \$200 fee to apply for an MCC. Of this, \$150 is a non-refundable fee to SHRA and the participating lender may retain \$50. There is no allocation of Mortgage Credit Certificates by the lender. After the applicant has made a formal application, the lender will arrange with SHRA to reserve funds for the MCC-assisted mortgage loan. This reservation will hold the MCC while the application is being processed by the lender and SHRA. The lender must receive a signed copy of the MCC Commitment, before the loan may close.

Mortgage Types

MCCs are available with conventional loans, fixed-rate loans, adjustable rate loans, FHA and VA loans, and privately insured loans. MCC's are not available with bond-backed loans (e.g., Single Family Bond Programs, Cal Vet Loans, CHFA).

Federal Recapture

For properties sold during the first nine years, borrowers are subject to provisions of the Federal Tax Law for recapture of all or a part of the subsidy provided by the Mortgage Credit Certificate Program.

Properties

The MCC can only be used for owner-occupied single family residences (including condominiums and half-plexus) within the cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Galt and Isleton and County of Sacramento. SHRA is currently not offering the FTHB program in the City of Citrus Heights. The buyer is responsible for finding their own home to purchase.

Federally Designated Target Areas

The following census tracts are Federally Designated Target areas. In these Target Areas the applicants do not need to be first-time buyers and higher purchase price limits apply.

5, 6, 7, 9, 10, 12, 13, 18, 19, 20, 21, 22, 27, 28, 32.02, 37, 42.03, 44.01, 44.02, 45, 46.01, 46.02, 52.01, 53, 62.02, 63, 64, 66, 67.02, 68, 70.01, 73, 91.10. The maps are attached to the program fact sheet.

RESOLUTION NO. 2000-618

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

APPROVED
OCT 31 2000
OFFICE OF THE
CITY CLERK

**MODIFICATION OF THE TEACHER HOME PURCHASE PROGRAM GUIDELINES;
MODIFICATION OF HOMEBUYER ASSISTANCE PROGRAM**

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

Section 1. The Teacher Home Purchase Program, as modified and attached to the staff report that accompanies this resolution, is adopted.

Section 2. For the purposes of the Teacher Home Purchase Program, the Homebuyer Assistance Program is modified to allow direct principal reduction. Currently, a qualified purchaser may only use this grant for closing costs and a portion of the downpayment.

Section 3. The Executive Director is hereby authorized to make future modifications in the Program Guidelines as necessary for program implementation and as approved by Agency Counsel.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____

RESOLUTION NO. 2000-065



ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

MODIFICATION OF THE FIRST-TIME HOMEBUYER PROGRAM

WHEREAS, the City Council of Sacramento and the Housing Authority of the City of Sacramento have adopted a Teacher Home Purchase Program to encourage teachers to work in low performing schools in the City of Sacramento, and

WHEREAS, the Redevelopment Agency of the City of Sacramento has adopted a First-Time Homebuyer Program to assist qualified purchasers in buying a single-family home in the City of Sacramento,

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

Section 1. The First-Time Homebuyer Program is hereby modified to offer \$5,000 of assistance to teachers who qualify for the City's Teacher Home Purchase Program when the sales price is less than \$125,000. This exception is limited to the implementation of the City's Teacher Home Purchase Program, and applies to the City's redevelopment area programs as well.

Section 2. The First-Time Homebuyer status may be waived in the federally designated target areas..

Section 3. The Executive Director is hereby authorized take action as necessary for program implementation and as approved by Agency Counsel.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____