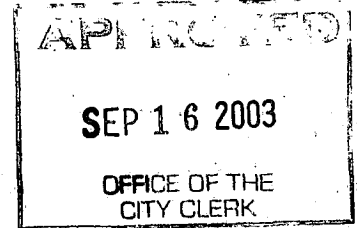




**Sacramento
Housing &
Redevelopment
Agency**

August 20, 2003



City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CALHOME APPLICATION

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolution on pages 6 and 7 which authorizes the Executive Director or her designee to:

- submit an application to the California State Department of Housing and Community Development (HCD) for funding under the CalHome Program;
- execute a Standard Agreement for such funding and any amendments thereto;
- execute any related documents necessary to participate in the CalHome Program;
- adopt local CalHome Program Guidelines;
- administer the CalHome Program; and
- amend Agency Budget to receive and expend not more than \$1,000,000 CalHome revenue including program delivery fees.

CONTACT PERSONS

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

FOR COUNCIL MEETING OF - September 16, 2003

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SUMMARY

This staff report requests authorization for the Sacramento Housing and Redevelopment Agency (Agency) to apply to the California Department of Housing and Community Development (HCD) for funding under the CalHome Program, execute a standard agreement and any documents related to participate in the CalHome Program, adopt CalHome Program guidelines, administer the program, and to amend the Agency Budget to receive and expend not more than \$1,000,000 CalHome revenue including program delivery fees.

COMMISSION ACTION

At its meeting of August 20, 2003, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Castello, Farley, Harland, Hoag, McCarty, Piatkowski,
Simon, Stivers
NOES: None
ABSENT: None

BACKGROUND

The California Department of Housing and Community Development recently announced a Notice of Funding Availability (NOFA) for the CalHome Program. The funding for this NOFA was provided by Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. The CalHome Program is a homeownership program designed to make funds available to local public agencies to support existing homeownership programs aimed at low- and very low-income households. In 2001, the City was a successful applicant under the first round of the CalHome Program funding and was awarded \$500,000. These funds were used to provide owner-occupied rehabilitation and first-time homebuyer mortgage assistance loans. In 2002, the City received an additional award of \$200,000 for the CalHome's Manufactured Housing rehabilitation Program. SHRA has successfully administered both of these CalHome programs and has assisted 37 low-income households with these funds.

The recent NOFA allows for funding of up to \$1,000,000 to cities and counties with population in excess of 400,000. The City of Sacramento qualifies for this increased funding level with a population of 433,400. This report requests authorization to apply for funds for these following eligible activities:

- Owner-Occupied Rehabilitation (including manufactured housing) \$600,000
- First-time Homebuyer Mortgage Assistance \$400,000

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Owner-Occupied Rehabilitation

The CalHome Program provides assistance to low-income owner-occupants to pay for repairs and improvements to their home. This assistance is in the form of a loan, with payments of principal and interest deferred for the term of the loan. The Agency would provide the underwriting, inspection, work write up, bidding, and construction monitoring services. The program allows for assistance to manufactured housing (or mobile homes) as well.

While the CalHome Program Regulations adopted July 15, 2003, establish the framework for the CalHome Programs, an important feature of the new CalHome Program Regulations is increased flexibility to allow for varied local program designs. Please see Attachment I CalHome Owner-Occupied Rehabilitation Program Program Guidelines for a summary of the Agency's proposed local program. These local guidelines incorporate recently adopted Agency underwriting guidelines.

First-Time Homebuyer Mortgage Assistance

The CalHome Program provides down payment and mortgage assistance to low-income first-time homebuyers (less than 80% of median income). This is designed to increase affordability for these buyers by reducing the amount of the first mortgage. The loan is in the form of a deferred payment second mortgage with payments of principal and interest deferred for a 30-year term.

Homebuyer education is a requirement for all homebuyers receiving CalHome Mortgage Assistance. The cost of providing this homebuyer education may be included in the loan amount to the customer. Please see Attachment II CalHome First-Time Homebuyer Mortgage Program Guidelines for the proposed local program design.

Program Targeting

The applications for the CalHome funding will be rated and ranked based upon various evaluation criteria, maximum points will be awarded in the category of community revitalization if the applicant restricts the program to federally defined Qualified Census Tracts and/or to designated redevelopment areas. Because of the great need for revitalization in these areas and due to the limited number of homeowners that can be assisted with these funds, staff report recommends that the program be targeted to the Qualified Census Tracts and the redevelopment areas.

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FINANCIAL CONSIDERATIONS

The maximum aggregate application amount for all activities is not to exceed \$1,000,000. This report requests that the proposed funding be applied as follows:

- Owner Occupied Rehabilitation (including manufactured housing) \$600,000
- First-Time Homebuyer Mortgage Assistance \$400,000

Program Delivery Fees

The CalHome Program regulations include a CalHome activity delivery fee as an eligible cost for owner-occupied rehabilitation and mortgage assistance. This fee is to be provided in the form of a grant to the recipient. However, because the source of funds comes from the sale of general obligation bonds, the payment of a program delivery fee is not being allowed. However, HCD has requested an opinion from the State Attorney General's office regarding this matter.

In the event that the program delivery fee is not allowed from the grant, customary loan fees, costs of work write ups and inspections, processing fees, homebuyer education fees, and other direct costs will be included in the loan given to the borrower. The local program design will allow for these fees to be included in the loan given to the borrower. For example, the owner-occupied rehabilitation loan provides for a delivery fee of six percent of the loan amount. The mortgage assistance program includes \$650 in fees for processing and homebuyer education.

POLICY CONSIDERATIONS

The actions requested in this staff report are consistent with the Agency policy of providing affordable homeownership opportunities and improving and preserving the existing housing supply within the target and redevelopment areas of the City.

This policy also supports the City Strategic Plan Goal of "Enhancing and Preserving the Neighborhoods" by promoting and increasing both property improvement activities and homeownership opportunities within the City.

A successful CalHome application would provide homeownership assistance to 35-40 low-income homebuyers and homeowners in the redevelopment and revitalization areas in the City, increasing homeownership rates and preserving existing housing.

ENVIRONMENTAL REVIEW

The proposed action consists of creation of a government funding mechanism. As such, the proposed action does not constitute a project under CEQA per Guidelines Section 15378(b)(4), or a federal undertaking under NEPA.

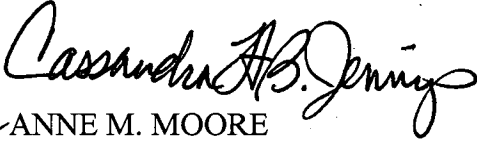
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M/WBE CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted,


for ANNE M. MOORE
Executive Director

Transmittal approved,



 ROBERT P. THOMAS
City Manager

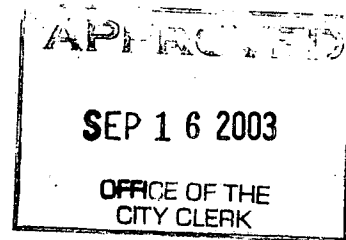
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- 3) Attachment II CalHome FTHB Mortgage Assistance Guidelines – page 10-12

RESOLUTION NO. 2003-633

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF



AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR, ACCEPT, AND ADMINISTER THE CALHOME PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO

WHEREAS, the City of Sacramento, a political subdivision of the State of California, desires to apply for and receive an allocation of funds through the CalHome Program; and

WHEREAS, the California Department of Housing and Community Development ("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 of 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 Regulations adopted by HCD on August 15, 2003; and

WHEREAS, the City, by its agent, the Sacramento Housing and Redevelopment Agency, ("Agency") wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of \$1,000,000.

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

Section 1. The City delegates authority to the Agency to submit an application to HCD on behalf of and in the name of the City of Sacramento to the CalHome Program in response to the NOFA, which will request a funding allocation to support existing homeownership programs in the City of Sacramento for low-and very low-income households.

Section 2. The City delegates authority to the Agency to receive funding from HCD on in the name of the City and to administer CalHome funds, which shall be applied to the following eligible activities within the City of Sacramento, in not more than the following amounts:

- Owner-Occupied Rehabilitation \$600,000
- First-Time Homebuyer Mortgage Assistance \$400,000

The maximum aggregate application amount for all activities is \$1,000,000

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 3. The City authorizes the Agency to execute, on behalf of itself and the City, all instruments necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations.

Section 4. The City, for itself and the Agency, adopts the CalHome Owner-Occupied Rehabilitation Program Guidelines as described in Attachment I and the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Attachment I and II. The Agency may make technical changes to the guidelines as necessary for program implementation.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



Fact Sheet

1013-7th STREET • Suite 200 • SACRAMENTO, CA 95814 (916) 264-1500

CalHome Owner-Occupied Rehabilitation Program PROGRAM GUIDELINES

CalHome Program	The CalHome Owner-Occupied Rehabilitation loan is a deferred payment home improvement loan designed for low-income homeowners whose homes are in need of repair. This includes single-family homes as well as manufactured (or mobile) homes.
Minimum Loan Amount:	\$ 10,000
Maximum Loan Amount	\$50,000 – single-family dwellings \$25,000 – manufactured housing
Interest Rate:	3.00% fixed rate, simple. Principal and interest payments shall be deferred for the term of the loan.
Max CLTV:	The loan-to-value ratio for an owner-occupied rehabilitation loan, when combined with all other indebtedness shall not exceed: 100% of the after-rehabilitation value for single-family homes 90% of the after-rehabilitation value for manufactured housing
Maximum Total Debt Ratios:	Not applicable
Credit Standards:	Per Agency Credit Matrix and Underwriting Guidelines
Term:	Up to 30 years
Repayment:	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date:
Hardship:	However, if it is determined by the Agency that repayment of the CalHome Program loan at the maturity date would cause a hardship to the borrower, the borrower may have two options: (A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and accrued interest, for up to an additional 30 years (at 0% additional interest). this may be offered one time, or (B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest to an amortized loan, repayable in 15 years at 0% additional interest.
Eligible Applicants:	Owner-occupants of single-family homes or manufactured housing in the City and County of Sacramento who are defined as Low-Income households based on 80% of the area median. As of February 20, 2003, the eligible income figures are:

1-person	\$33,500
2-person	\$38,250
3-person	\$43,050
4-person	\$47,850
5-person	\$51,650
6-person	\$55,500

- Eligible Properties:** Single-family homes or manufactured homes in eligible areas of the City and County of Sacramento, whose after rehabilitation value does not exceed the current median sales price of a single family home in Sacramento County (which is currently \$230,000).
- City:** In the City of Sacramento, the CalHome Program is limited to properties located in "qualified census tracts" and/or redevelopment areas. Please see below for list of "qualified census tracts" and Agency redevelopment areas.
- County:** In the County, the CalHome program is available only within the unincorporated areas of the County. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.
- Eligible Repairs:** Funds may be used to finance real property improvements that substantially protect or improve the basic livability or utility of the single-family property. Improvements must meet the Agency Property Rehabilitation Standards. General property improvements (GPI) may be included subject to the limitations of the Agency Property Rehabilitation Standards. Rehabilitation includes reconstruction and room additions to prevent overcrowding.
- Repairs on manufactured homes include any repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704. Improvements must meet the Agency Property Rehabilitation Standards. General property improvements (GPI) may be included subject to the limitations of the Agency Property Rehabilitation Standards.
- Fee Schedule** Loan Fee of 1.25% % of the loan amount
Construction Services Fee of 4.75% of the loan amount
Plus actual costs such as credit reports, appraisals, termite reports, title fees, HCD fees, and loan set up fees.
- City Qualified Census Tracts:** The "qualified census Tracts" are: 0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0014.00, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0048.01, 0049.03, 0049.05, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01.
- City Redevelopment Areas:** North Sacramento, Oak Park, Del Paso Heights, Alkali Flat, Army Depot, Franklin Blvd., Stockton Blvd. Please call for maps of these areas.
- Application Procedure:** Contact our office for an application. A written loan application must be submitted to our office to start the application procedure. For additional information, please call (916) 264-1500, or visit our web site at www.shra.org.



Equal Housing Opportunity



Fact Sheet

1013-7th STREET • Suite 200 • SACRAMENTO, CA 95814 (916) 264-1500

CalHome First-Time Homebuyer Mortgage Assistance Program PROGRAM GUIDELINES

CalHome Program	Sacramento Housing and Redevelopment Agency has an allocation of State CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with Guidelines adopted by the State Department of Housing and Community Development (HCD). Funds are provided to qualified households in the form of 30-year, deferred-payment second mortgages. The CalHome First-Time Homebuyer Mortgage Assistance loan helps buyers purchase homes by providing financial assistance to reduce the amount of the first mortgage and to pay non-recurring closing costs.
Minimum Loan Amount:	\$ 5,000
Maximum Loan Amount	\$25,000. The maximum loan shall not exceed the required amount of subsidy needed to make the unit affordable to the homebuyer and to pay non-recurring closing costs.
Interest Rate:	3.00% fixed rate, simple. Principal and interest shall be deferred for the term of the loan.
Term:	30 years
Max CLTV:	The loan- to- value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.
Use of Funds:	Funds may be used for down payment, mortgage assistance and non-recurring closing costs.
Program Fees:	The following fees may be paid from the CalHome Program loan: 1) Homebuyer Education Fee of \$300 2) SHRA Loan Processing Fee of \$350
Loan Service Set Up Fee	There is a Loan Service Set Up Fee of \$75 which is payable at the time of application.
Repayment:	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date:
Hardship:	However, if it is determined by the recipient that repayment of the CalHome Program loan at the maturity date Causes a hardship to the borrower, the borrower has two options: (A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0% additional interest), this may be offered one time, or (B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.

Eligible Properties:

City:

In the City, single-family homes must be located in eligible areas which are defined as "qualified census tracts" and/or redevelopment areas. Please see following page for list of "qualified census tracts" and Agency redevelopment areas.

County:

In the County, the CalHome program is available only within the unincorporated areas of the County. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.

Maximum Sales Price

The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single family home in Sacramento County which is currently \$230,000.

Eligible Applicants:

The applicant must be a first-time homebuyer who neither has, nor has had an ownership interest in a principal residence at any time during the 3-year period prior to their application for CalHome assistance.

The CalHome borrower household must have a gross annual income not exceeding 80% of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at 10% of the value of the asset. As of February 20, 2003 the limits are:

1-person	\$33,500
2-person	\$38,250
3-person	\$43,050
4-person	\$47,850
5-person	\$51,650
6-person	\$55,500

Eligibility vs Lender Income

For program eligibility, the total annual income includes income of all adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio:

Monthly housing costs shall be no less than 28% of the borrower's gross monthly income and no more than 35%. However, with compensating factors the housing costs can exceed 35%, but not 40%. The total debt ratio may be determined by the lender's underwriting guidelines. On FHA insured loans, ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting:

The first mortgage lender will perform the underwriting using established credit guidelines for the particular program. The Agency will provide oversight of this function and may require credit explanations or payoff of collections if deemed necessary and prudent.

There may be no outstanding unpaid judgements or involuntary liens at the time the CalHome loan is recorded.

First Mortgage Restrictions:

Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.

The term of the loan shall be 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases balloon payments or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CHFA financing.

Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the CalHome lender.

The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance for the entire 30-year term.

Escrow Prohibitions:

Cash transactions and oral agreements outside of escrow are prohibited. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum downpayment.

Homebuyer Education

The CalHome homebuyer must attend homebuyer education classes. The homebuyer education requirement may be met by taking the following classes:

Sacramento Home Loan Counseling Center

- Course 1 –The Home Buying Process
- Course 2 – Credit & Money Management
- Course 3 - Home Maintenance/Good Neighbor; **OR**

Sacramento Neighborhood Housing Services

- Fastrack Class
- Home Maintenance Workshop

City Qualified Census Tracts:

The "qualified census Tracts" are: 0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0014.00, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0048.01, 0049.03, 0049.05, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01.

City Redevelopment Areas:

North Sacramento, Oak Park, Del Paso Heights, Alkali Flat, Army Depot, Franklin Blvd., Stockton Blvd. Please call for maps of these areas.

Application Procedure:

To apply for the program, please contact any of the lenders on the attached list. For additional information or questions call (916) 264-1500, or visit our web site at www.shra.org.



Equal Housing Opportunity