

STAFF REPORT



ITEM NO. 10

CITY OF OCEANSIDE

DATE: December 17, 2008

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **APPROVAL TO ACCEPT \$900,000 IN GRANT FUNDS FROM THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AWARDED TO THE CITY OF OCEANSIDE TO CONTINUE TO IMPLEMENT A FIRST-TIME HOMEBUYER PROGRAM UNDER THE CALHOME PROGRAM AND APPROVAL TO APPROPRIATE THESE FUNDS TO THE NEIGHBORHOOD SERVICES DEPARTMENT**

SYNOPSIS

Staff recommends that the City Council approve the acceptance of \$900,000 in grant funds from the State of California Department of Housing and Community Development (HCD) awarded to the City of Oceanside to continue to implement a first-time homebuyer program under the CalHome Program and approve appropriating the funds to the Neighborhood Services Department.

BACKGROUND

The City of Oceanside has administered a successful CalHome first-time homebuyer program since 2002. The purpose of the CalHome Program is to provide funding to local public agencies for first-time homebuyer mortgage assistance for low-income households. Through the years, the funding for CalHome has come from bond funds approved by the voters of California. In November 2006, the voters approved Proposition 1C. The City of Oceanside has successfully applied for, and has been awarded, the maximum allocation of grant funds for each competitive funding round conducted under the CalHome Program.

ANALYSIS

It is administratively necessary for the City Council to accept the subject grant funds and appropriate the funds to the Neighborhood Services Department to continue to implement the CalHome Program. An important aspect of the CalHome Program is that every unit assisted through this Program counts towards the City of Oceanside's low-income housing goals.

The CalHome Program requires persons applying for first-time homebuyer assistance to be Oceanside residents or have worked for an Oceanside employer for the most recent three years. They must have household income no greater than 80 percent of the Area Median Income (AMI), adjusted for family size, as published annually by HCD. Conversely, they must have household income no less than 70 percent AMI. As an example using this year's AMI figures, 80 percent AMI is \$63,200 for a family of 4 and 70 percent AMI is \$55,300. To qualify as a first-time homebuyer, an applicant cannot have owned property within 3 years of their application. CalHome applicants must provide proof of adequate cash reserves to fund a mandatory personal contribution of \$5000 towards the home purchase.

The CalHome Program provides secondary financing to the primary financing offered by lending institutions which adhere to the CalHome underwriting guidelines. The CalHome Program allows great flexibility to local jurisdictions in designing the underwriting standards which the primary institutional lender must follow. All City of Oceanside loans made through the CalHome Program are 30-year fixed interest rate loans. The City of Oceanside CalHome Program requires the household debt-to-income ratio, frequently called the front-end ratio, to be no greater than 35 percent of the borrower's monthly income. The total debt-to-income ratio, commonly called the back-end ratio, cannot be greater than 41 percent. These ratios, and other underwriting safeguards built into our guidelines, are more conservative than institutional lenders thereby protecting the CalHome borrower from entering into a transaction that might lead to default of the loan and a resulting foreclosure.

City of Oceanside CalHome loans are fixed rate 3 percent simple interest deferred loans with a 30-year term. Loan principal is repaid to the City of Oceanside upon sale, transfer, or maturity of the loan. Accrued simple interest of 3 percent on these loans will be forgiven after 15 years. The maximum sales price limit is keyed to 100 percent of the City of Oceanside median home price.

Since 2002, the CalHome Program has assisted 34 Oceanside families to purchase their first home by providing \$1,600,000 in loans.

FISCAL IMPACT

The \$900,000 in grant funds from HCD will be appropriated to the Neighborhood Services Department CalHome Program (289.294739.4456.00089) and transferred to the existing CalHome loan account (289.294739.5441) to further implement first-time homebuyer opportunities. Program delivery costs will be reimbursed under the CalHome Program. No General Funds will be used for the CalHome Program.

COMMISSION OR COMMITTEE REPORT

The Housing Commission has consistently recommended that the City Council approve the submittal of an application to HCD for funding under the CalHome Program. It is consistent with the recommendations of the Housing Commission that the City Council accept these grant funds and appropriate the funds to the Neighborhood Services Department to continue to implement a first-time homebuyer program under the CalHome Program

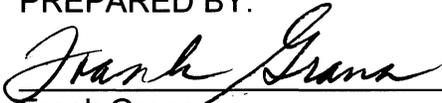
CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Staff recommends that the City Council approve the acceptance of \$900,000 in grant funds from the State of California Department of Housing and Community Development (HCD) awarded to the City of Oceanside to continue to implement a first-time homebuyer program under the CalHome Program and approve appropriating the funds to the Neighborhood Services Department.

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