

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: March 1, 2006

Approved *Deanna Aafna*

Date *3/8/06*

COUNCIL DISTRICT: 3
SNI Area(s): Spartan/Keyes,
Washington, & Delmas Park

SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE DIRECTOR OF HOUSING TO ACCEPT BUILDING EQUITY AND GROWTH IN NEIGHBORHOODS (BEGIN) HOUSING PROGRAM GRANTS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS

RECOMMENDATION

It is recommended that the City Council:

- 1) Adopt a resolution authorizing the Director of Housing to accept Building Equity and Growth in Neighborhoods (BEGIN) housing program grants from the California Department of Housing and Community Development (HCD) and to negotiate and execute the grant agreements and any amendments or other documents necessary to implement the programs funded by the following BEGIN grants:
 - a. A \$420,000 grant to fund downpayment assistance loans to first-time homebuyers purchasing in The Works development.
 - b. A \$510,000 grant to fund downpayment assistance loans to first-time homebuyers purchasing in the Villa Almendra development.
 - c. A \$450,000 grant to fund downpayment assistance loans to first-time homebuyers purchasing in the CIM/2nd and Santa Clara Street development.
- 2) Approve the following Appropriation Ordinance and Funding Sources Resolution amendments in the Multi-Source Housing Fund:

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- a. Increase the CalHOME (BEGIN) Program appropriation in the Multi-Source Housing Fund (448) by \$1,380,000
- b. Increase the estimate for Grant Revenue in the Multi-Source Housing Fund (448) by \$1,380,000

BACKGROUND

The Housing Department has aggressively pursued funds made available through the passage of Proposition 46 in November, 2002. BEGIN funds are available to cities and counties that have contributed to the reduction of housing costs through various "regulatory relief measures, such as modification of density or zoning standards, flexible parking standards, reductions in permit processing or regulatory costs, and project design." Between August 2004 and August 2005, the City was awarded \$3,360,000 of BEGIN funds to assist 112 families purchasing in seven new for-sale developments.

Since August 2005, the Housing Department has submitted applications and received conditional approvals for three additional separate BEGIN program grants totaling \$1,380,000 to assist 46 additional homebuyers in the following new for-sale developments: (1) The Works, (2) Villa Almendra, and (3) CIM/2nd and Santa Clara. HCD requires approval by the City Council to accept these new funds. Upon City Council approval, the Director of Housing will be authorized to execute three new BEGIN grant agreements with HCD.

ANALYSIS

The City will use the BEGIN funds to make deferred payment loans for low- and moderate-income persons or families purchasing homes in the targeted developments. All loans will be \$30,000 per household and accrue interest at a rate of 3% simple interest, deferred.

Under the BEGIN program, the City may retain program income from loan repayments and any interest earned on these funds. This income may be reused only for first-time homebuyer downpayment assistance, home rehabilitation, homebuyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance for persons and families of low- or moderate-income.

The Works is 74-unit condominium style development located on Patterson Street, between Margaret and Third Street in the East Gardner Strong Neighborhood Initiative (SNI) area. Fourteen units are required to be affordable to moderate-income buyers through the City's Inclusionary Housing requirement. The developer is Barry Swenson Builder and Pacific Marketing Associates, Inc. will be the real estate broker. The project is scheduled for completion in June 2006.

Villa Almendra, previously referred to as Alma Gardens, is a 17 unit 100% affordable townhome project located at the Corners of West Alma Avenue and Almaden Avenue in the Washington

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SNI Area. Neighborhood Housing Services of Silicon Valley (NHSSV) is the developer. NHSSV will also provide homebuyer education and real estate services for the eventual buyers. The estimated completion date for the project is late 2007.

The CIM/2nd and Santa Clara Street development is a mixed-use project consisting of 76 condominium units and retail space located near the intersection of Santa Clara Street and Second Street in downtown San José. Fifteen of the condominium units will be required to be affordable to moderate-income buyers through the City's Inclusionary Housing requirement. The developer is CIM Group and Pacific Marketing Associates, Inc. is the real estate broker. This project will be substantially complete in late 2006.

Housing Department staff is working with each of the developers to ensure that all BEGIN assisted units will be bought by qualified low- and moderate-income first-time homebuyers. All units will be restricted as affordable for a period of 45 years. Assisted homebuyers will have two options at the time of resale: (1) sell the property to another income-eligible buyer willing and able to assume the City loan and Affordability Restriction or (2) sell the unit at fair market value and repay the City the loan principal in addition to a pro-rata share of the accrued equity in the home.

OUTCOME

By accepting these grant funds, the City will be able to assist 46 low- and moderate-income first-time homebuyers with low interest deferred loans of up to \$30,000 each to be used for downpayment assistance.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney.

COST IMPLICATIONS

There will be no negative impact to the general fund as a result of approving these recommendations. These recommendations, if approved, will assist the Housing Department in securing additional revenue and providing first-time homebuyers with additional City subsidies.

CEQA

Not a Project.

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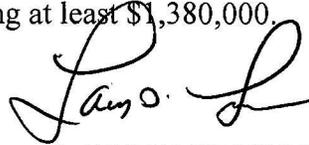


LARRY D. LISENBEE
Budget Director



LESLISE KRUTKO
Director of Housing

I hereby certify that there will be available for appropriation in the Multi-Source Housing Fund in the Fiscal Year 2005-2006 monies in excess of those heretofore appropriated there from, said excess being at least \$1,380,000.



LARRY LISENBEE
Budget Director

