



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: March 3, 2008

Approved

Date

3-6-08

COUNCIL DISTRICT: N/A
SNI AREA: City-wide

SUBJECT: SJSU HOMEOWNERSHIP PROGRAM

RECOMMENDATION

It is recommended that the City Council:

- a) Adopt a resolution extending the SJSU Pilot Homebuyer Program through FY 2008-2009.
- b) Adopt a resolution approving a new \$500,000 commitment to the SJSU Homebuyer Program in the Multi-Source Housing Fund. (Fund 448)

It is further recommended that the City Council:

- a) Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Multi-Source Housing Fund for FY 2007-2008.
 1. Increase the SJSU Teacher Home Program appropriation by \$650,000.
 2. Increase the Estimated Earned Revenue by \$650,000.

OUTCOME

Upon approval of this memo, the total SJSU Homebuyer Program budget will be increased by \$500,000, which will be funded by SJSU Spartan Shops, and appropriated in Budget Fund 448, the City's Multi-Source Housing Fund.

BACKGROUND

On January 10, 2006, the City Council approved the creation of the SJSU Pilot Homeownership Program for University Faculty. The SJSU Faculty Homebuyer Program (FHP) originated from the "Beyond MLK" University-City partnership, and is modeled after the City's Teacher Homebuyer Program (THP). The program was initially jointly funded with an allocation of \$1 million, with \$500,000 coming from Spartan Shops, the real estate division of SJSU, and \$500,000 from the City's Low- and- Moderate Income Housing Fund.

The SJSU Homebuyer Program is jointly funded and administered by Spartan Shops and the City of San José. Spartan Shops staff markets and promotes the program to SJSU employees. Housing Department staff provide resources and assistance through the processing, underwriting, and funding of individual homebuyer loans.

The program offers up to \$60,000 as a deferred payment loan for low- and moderate-income households earning below 120% of Area Median Income (AMI). In consideration for these funds, each loan is subject to a recorded affordability restriction. If a home is resold to a non-income eligible household, the original homebuyer assistance loan must be repaid along with a prorated portion of any accrued equity in the home since the date of purchase.

The SJSU Homebuyer Program was originally offered only to newly-hired full-time tenure-track faculty as an incentive to attract and retain highly skilled faculty. The fact that the program was limited to full-time tenure-track faculty made marketing of the Program difficult for the University. As a result, only two faculty members had used the FHP to purchase a home prior to October 2007.

SJSU Spartan Shops staff asked the City to expand the program to non-tenure track staff and agreed to fully fund the cost of all loans made to non-tenure track University employees. On October 16, 2007, the City Council approved the expansion of the FHP to include all full-time, permanent qualified SJSU employees, including non-teaching staff, and the program was renamed the SJSU Faculty and Staff Homebuyer Program (FSHP). This change greatly improved the University's ability to market the Program. To date, eight households have participated in the SJSU homebuyer program and another seven have been pre-qualified and are actively searching for properties to purchase.

As a result of the program's expansion to staff, it was determined that the City maintain the SJSU Homebuyer Program Budget in two separate City funds: The City's Low and Moderate-Income Housing Fund (Fund 443) and the City's Multi-Source Housing Fund (Fund 448). Fund 443 represents the City's contribution to the Program and is used to fund loans for tenure-track faculty. Fund 448 tracks the University's contribution to the program, and is used to fund loans to non tenure-track faculty and staff and loan reimbursements from SJSU.

The City's initial FY 2006-07 budget appropriation included the full \$1 million joint City/SJSU commitment to the program. Due to the slow start in the program, the City's FY 2007-08 budget appropriation was reduced from \$1 million to \$700,000. Fund 443 and Fund 448 were each

reduced by \$150,000 to \$350,000. At the same time, the number of new loan applications rapidly increased, and six new loans closed in a period of three months. The majority of these loans assisted SJSU staff, and were funded from fund 448. A mid-year budget adjustment in February 2008 re-appropriated \$150,000 to bring the SJSU program budget back up to \$500,000 in Fund 443, the amount originally committed to the program from the City. However, a similar mid-year budget adjustment in Fund 448 did not occur. Thus, there is an immediate need to increase the budget appropriation in Multi-Source Housing Fund so that new loans can be made to non tenure-track faculty and staff at SJSU.

ANALYSIS

The FSHP is growing in popularity among SJSU employees, as a result of both increased media attention to the program and referrals from recent program participants. To date, eight households have been assisted through the program, three of which are full-time faculty members and five of which are University support staff. Both SJSU and Housing Department staff continue to receive dozens of inquiries from potential new applicants each month. There are currently seven applicants in the program pipeline- four new full-time faculty and three staff. Given the recent increase in demand for downpayment assistance loans, particularly from SJSU non tenure-track faculty, and the projected future demand for loans from SJSU non tenure-track staff, there is an immediate need to increase the budget appropriation from \$350,000 back to the original \$500,000 and add new funds in the amount of \$500,000 from SJSU so that new loans can be made to SJSU employees. Together, these two requests total \$650,000. At this time it does not appear necessary to seek a new commitment of City funds for the program in Fund 443, due to the mid-year budget cleanup which increased the budget appropriation from \$350,000 to \$500,000 in February 2008.

This \$650,000 increase in the SJSU Homebuyer Program budget will help extend the pilot program through FY 2008-09 and help between ten and eleven new households purchase a home in the City of San José. In addition, the ongoing University-City partnership would be strengthened, as the FSHP remains a key component of the "Beyond MLK" framework in which the City and San José State University collaborate on issues important to both organizations.

EVALUATION AND FOLLOW-UP

The current FSHP pilot program is evaluated on a quarterly basis during the City-University Executive Staff Collaborative meetings. Housing Department staff monitor the demand for program funds, and will continue to collaborate with SJSU Spartan Shops staff regarding loan volume, levels of funding, and long-term program objectives. City staff will report back to the City Council in the Spring of 2009 on the success of the extended pilot program.

POLICY ALTERNATIVES

To arrive at this proposal, staff also considered the following option:

Alternative #1: *Do not commit any new SJSU funds or authorize the extension of the SJSU Faculty and Staff Homebuyer Program beyond the initial \$1 million investment.*

Pros: If the City did not approve any new funds for the program, limited City resources could be reallocated to other projects and programs targeted to lower-income households.

Cons: By not approving a new funding commitment, the current program would be immediately suspended and new non tenure-track applicants would not be able to purchase a home in the City of San José through this program.

Reason for Not Recommending: The initial SJSU homebuyer program was identified as a key City/University collaborative effort, and the program has been gaining popularity over the last several months, among both faculty and staff at SJSU. In addition, there is no financial impact to the City as a result of this action.

PUBLIC OUTREACH/INTEREST

Although this notice does not meet any of the criteria below, this memo will be posted to the City Council Agenda for March 25th via the City's website. If approved, the Housing Department will continue to collaborate with SJSU Spartan Shops staff to market the program to all eligible SJSU faculty and staff members.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This expenditure is consistent with the most recent council-adopted *Five-Year Housing Investment Plan for FY 2007/2008 through FY 2011/2012* which sets forth a goal of providing at least 553 new low- and moderate-income homebuyers with downpayment assistance over the next five years. Further, the usage of funds for the SJSU homebuyer program is consistent with the City's For-Sale Housing policy, which describes the SJSU homebuyer program as an important City-University partnership designed to assist SJSU faculty with second mortgage assistance.

COST SUMMARY/IMPLICATIONS

1. **TOTAL COST OF PROGRAM:**
 Existing Budget Appropriation in Fund 448 \$350,000
 SJSU Contribution to Program in Fund 448 \$650,000
TOTAL: \$1 Million

2. **COST ELEMENTS TO CITY OF NEW PROGRAM FUNDS: \$0**

<u>Uses of Program funds from SJSU</u>		<u>Amount</u>
Downpayment Assistance	<u>Ten to Eleven loans totaling</u>	<u>\$650,000</u>
TOTAL		\$650,000

3. **SOURCE OF FUNDING:** Fund 448--the Multi-Source Housing Fund.

4. **FISCAL IMPACT:** No ongoing fiscal impact.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2007-2007 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
448	3415	SJSU Teacher Home Program	\$350,000	\$1,000,000	XI - 64	N/A

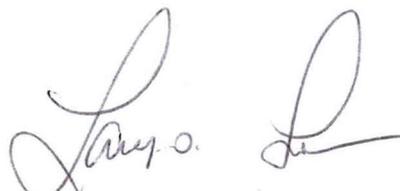
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CEQA

Not a project.

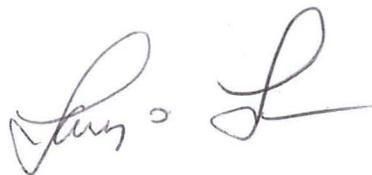


LESLYE KRUTKO
Director of Housing



LARRY D. LISENBEE
Budget Director

I hereby certify that there will be available for appropriation in the Multi-Source Housing Fund in the fiscal year 2007-2008 monies in excess of those heretofore appropriated there from, said excess being at least \$650,000.



Larry D. Lisenbee
Budget Director

For questions, please contact Rachel VanderVeen at 408.535.8235.