



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: August 25, 2005

Approved

Date

8/30/05

COUNCIL DISTRICT: Citywide
SNI Area: All

SUBJECT: REVISIONS TO THE TEACHER HOMEBUYER PROGRAM

RECOMMENDATION

Adopt a resolution modifying the Teacher Homebuyer Program adopted by the City Council on April 4, 2000, and amended on December 16, 2003, as follows:

- a. Increase the maximum loan amount from \$25,000 to \$40,000 for teacher households earning between 90% and 120% of Area Median Income.
- b. Increase the maximum loan amount from \$40,000 to \$65,000 for teacher households earning less than 90% of Area Median Income.

BACKGROUND

On June 29, 1999, the City Council approved the Teacher Homebuyer Program (THP). Significant modifications to the program were adopted by the City Council on April 4, 2000, including a substantial increase in THP loan limits from \$7,200 to \$40,000.

In 2003, during more favorable market conditions and at the height of the program's popularity, the City's budget shortfall caused severe funding constraints in the THP, and the projected demand for the program exceeded the remaining fund balance. As a response, in December 2003, the City Council approved decreased loan amounts for moderate-income teacher households from \$40,000 to \$25,000. Decreased loan limits were approved in an effort to stretch limited THP funds, while still maximizing the number of teachers assisted.

ANALYSIS

The Department recommends increasing the maximum loan limits from \$25,000 to \$40,000 for moderate-income families and from \$40,000 to \$65,000 for low-income families. These recommendations are based on several considerations:

- Since April 2000, the median sales price for a single-family detached home has increased from \$435,000 to \$705,000 (approximately 62%), and the median sales price for condominiums and townhomes has increased from \$279,950 to \$455,000 (approximately 63%). These dramatic price increases have created severe and increased affordability gaps for teachers trying to purchase a home in the City of San José.

- An increase in the maximum THP loan amount from \$25,000 to \$40,000 is a 60% increase. An increase in the maximum THP loan amount from \$40,000 to \$65,000 for low-income buyers is an increase of 63%, and is commensurate with the rising cost of homes in the City of San José.
- Increased loan limits will enable teacher households to choose from a significantly greater number of homes in the market, as evidenced by the Real Estate Multiple Listing Service. For example, as of today, the number of homes listed with a sales price of \$325,000 or less is 14, while the number of homes listed with a sales price of \$350,000 or less is 48.
- Increased loan limits will provide additional subsidies to teacher households and will assist the Housing Department in meeting future production goals.

COST IMPLICATIONS

This change to the THP will have no financial impact. The amount budgeted, which is made up of \$2,000,000 in tax-increment funds (20% funds) and \$2,000,000 in Home Investment Partnerships Program (HOME) funds, totaling \$4,000,000, remains unchanged.

PUBLIC OUTREACH

Housing Department staff will conduct targeted outreach to teachers in local schools and school districts in the City of San José to notify them of Program modifications. Staff also participates in various community outreach events, including events held in Strong Neighborhood Initiative (SNI) areas and citywide public events. Staff will market the increased THP loan limits to the various THP approved lenders, the Santa Clara County Association of Realtors (SCCAOR), developers of both market rate and below market rate for-sale housing developments and through the Housing Department's website: www.sjhousing.org.

COORDINATION

The preparation of this report has been coordinated with the Office of the City Attorney.

CEQA

Not a project.


LESLIE CORSIGLIA
Director of Housing