



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: September 20, 2004

Approved

Date

9.25.04

COUNCIL DISTRICTS: 3, 5, 6
SNI Area: Not Applicable

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 (HCD), 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 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 Building Equity and Growth In Neighborhoods grants:
 - a. A \$1,410,000 grant to fund downpayment assistance loans to purchasers of homes in the Las Mariposas development.
 - b. A \$510,000 grant to fund downpayment assistance loans to purchasers of homes in the San Carlos/Fiesta Lanes development.
 - c. A \$240,000 grant to fund downpayment assistance loans to purchasers of homes in the Previterra Court development.
2. Approve the following Appropriation Ordinance and Funding Sources Resolution amendments in the Multi-Source Housing Fund:

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Establish a new CalHome (BEGIN) appropriation in the amount of \$2,160,000.

- b. Increase the estimate for Grant Revenue Proposition 46 in the amount of \$2,160,000.
3. Authorize an agreement with Neighborhood Housing Services Silicon Valley for the marketing of the program, the qualifying and selection of the borrowers, and processing of the City loans.

BACKGROUND

The Housing Department has aggressively pursued funds made available with the passage of Proposition 46. In July and August 2004, the California Department of Housing and Community Development (HCD) awarded the City three separate BEGIN program grants totaling \$2,160,000, to assist homebuyers to purchase homes in the following projects:

| <u>Project</u> | <u>Amount</u> |
|-------------------------|--------------------|
| Las Mariposas | \$1,410,000 |
| San Carlos/Fiesta Lanes | \$ 500,000 |
| Previtera Court | <u>\$ 240,000</u> |
| TOTAL | \$2,160,000 |

BEGIN funds are awarded to cities and counties that can demonstrate that they have contributed to the reduction of housing costs through various "regulatory relief" measures, such as approval of higher density or lower parking requirements than would otherwise have been approved. For example, the City was able to show that the Tamien Station Area Specific Plan approved by the City Council allowed a higher density and reduced parking for Previtera Court than would have occurred under pre-existing zoning.

The total awarded to San Jose is 30% of the entire amount HCD reserved for Northern California in its January 15, 2004 Notice of Funding Availability.

HCD requires approval by the City Council to accept these grant funds. Upon City Council approval, the Director of Housing is authorized to negotiate and execute the grant agreements submitted by HCD.

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ANALYSIS

The BEGIN Program funds awarded to the City will be used to make deferred payment loans for low and moderate-income persons or families who want to purchase homes in the Las Mariposas, San Carlos/Fiesta Lanes, and Previterra Court townhouse developments. The maximum loan will be \$30,000 per household.

Under the grant agreements, the City may retain 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.

Las Mariposas is a City-assisted 66-unit townhouse development located at the northeast corner of Alum Rock Avenue and Jose Figueres Drive. The developer is Ketzal Community Development Corporation, an entity formed by the Mexican American Community Services Agency (MACSA). The BEGIN funds will help 47 homebuyers purchase a Las Mariposas home. The funds can enable reductions in the required amount of City-funded homebuyer assistance and/or permit the developer to market to households at lower-incomes than could otherwise afford to buy solely with a City loan.

San Carlos/Fiesta Lanes is a City-assisted 32-unit townhouse development to be located on the north side of West San Carlos Street between North Buena Vista and North Willard Avenue. The Developer for this project is CORE Development Inc. The BEGIN funds will help 17 low and moderate-income homebuyers purchase a home in this development. The funds can enable reductions in the required amount of City-funded homebuyer assistance and/or reach households at lower incomes than could otherwise afford to buy solely with a City loan.

Previtera Court, also sponsored by CORE Development, Inc., is a 16-unit townhouse development located at the northwest corner of Floyd Street and Lick Avenue, adjacent to the Tamien Light Rail Station. CORE has begun marketing the homes, which are nearing completion. The project has not received City assistance, but it is subject to the Redevelopment Inclusionary Housing requirement. CORE Development Inc. will either provide four units that are affordable to moderate-income households or pay an in-lieu fee of \$50,000 per unit. The BEGIN funds will help eight low- and moderate-income homebuyers afford the purchase of a home in this development.

The Housing Department proposes that the City contract with Neighborhood Housing Services Silicon Valley for the marketing of the program, the qualifying and selection of the borrowers, and processing of the City loans. The City will retain responsibility for final approval of any loan. The proposed contract will help enhance coordination of the City's homebuyer assistance programs.

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PUBLIC OUTREACH

Not applicable.

COORDINATION

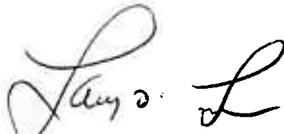
This memorandum was coordinated with the City Attorney's Office.

COST IMPLICATIONS

There are no cost implications associated with this recommendation. The recommendation, if approved, will assist in implementing the Housing Program Funding Strategy that the City Council adopted on February 24, 2004.

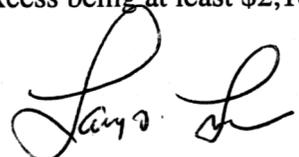
CEQA

Not a project.


LARRY D. LISENBEE
Director, Budget Office


LESLEYE CORSIGLIA
Director of Housing

I hereby certify that there will be available for appropriation in the Multi-Source Housing Fund and the Housing Trust Fund in the Fiscal Year 2004-2005 monies in excess of those heretofore appropriated there from, said excess being at least \$2,160,000.


LARRY LISENBEE
Budget Director