



Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

**FROM: Leslye Krutko
Larry D. Lisenbee**

SUBJECT: SEE BELOW

DATE: 11-10-05

Approved

Date

11/14/05

Council District # 5

SNI: N/A

**SUBJECT: ADOPTION OF AMENDMENTS TO ANNUAL APPROPRIATION
ORDINANCE AND FUNDING SOURCES RESOLUTION FOR THE
TEACHER/FIRST TIME HOMEBUYER PROGRAM FOR FISCAL YEAR
2005-2006**

RECOMMENDATION

It is recommended that the City Council adopt the following amendments to the annual Appropriation Ordinance and Funding Sources Resolution in the Home Investment Partnership Program Fund and the Low and Moderate Income Housing Fund :

In the Home Investment Partnership Program Fund:

1. Increase the Teacher/First Time Homebuyer Loans appropriation by \$2,600,000
2. Increase the earned revenue estimate by \$2,600,000.

In the Low and Moderate Income Housing Fund:

1. Decrease the Loans, Grants and Site Acquisition appropriation by \$2,600,000
2. Increase the Ending Fund Balance by \$2,600,000.

BACKGROUND

On February 1, 2000, the City Council approved a loan to the Ketzal Community Development Corporation (KETZAL), an affiliate of the Mexican American Community Services Agency, Inc. (MACSA), to purchase 2.89 acres of land for the development of 66 for-sale units located at 2191 Alum Rock Avenue. In July 2005, the Las Mariposas project was completed, with 47 condominiums affordable to low-income buyers and 19 townhomes affordable to moderate-income buyers. The Housing Department is offering downpayment assistance loans on these units, with affordability restrictions that may be amended and subordinated as permitted by State law.

ANALYSIS

At the time the Las Mariposas project was initially funded, the Housing Department planned to utilize 20% Low and Moderate Income Housing Funds to fund the downpayment loans on the units. Due to reductions in this revenue in recent years, the Housing Department has explored alternate funding sources. Research has revealed that, under Redevelopment Law, the use of federal HOME funds for homebuyer assistance to low-income households results in more favorable underwriting requirements than are currently commonly available to buyers. Accordingly, in order to maximize low-income homebuyers' purchasing power, as well as maximize the use of 20% funds for additional housing production, the Housing Department and Sponsor have agreed to use federal HOME funds for Las Mariposas buyers.

The federal Department of Housing and Urban Development (HUD) has awarded the City a HOME allocation of \$5,267,406 for the grant-year of 2004. HUD has also awarded the City \$403,914 in American Dream (ADDI) funds which may also be utilized in this project. This proposal will increase the appropriation of HOME and ADDI funds a total of \$2.6 million and decrease the appropriation Low and Moderate Income Housing Funds for Loans, Grants and Site Acquisition by the same amount.

PUBLIC OUTREACH

Not applicable.

COORDINATION

Not applicable.

COST IMPLICATIONS

These recommendations, if approved, will assist the Housing Department in utilizing federal funds to assist first-time homebuyers. There will be no impact to the General Fund as a result of approving these recommendations.

CEQA

Not a project.



LARRY D. LISENBEE
Budget Director



LESLYE KRUTKO
Director of Housing

I hereby certify that there will be available for appropriation in the Home Investment Partnership Program Fund in the Fiscal Year 2005-2006, moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,600,000.



LARRY D. LISENBEE
Budget Director