



COUNCIL AGENDA: 12-14-04

ITEM: 2.17

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: November 24, 2004

Approved

Date

11.29.04

COUNCIL DISTRICT: Citywide
SNI Area: All

SUBJECT: APPROVAL OF AMENDMENTS TO GRANT AGREEMENT WITH NEIGHBORHOOD HOUSING SERVICES SILICON VALLEY (NHSSV) FOR THE HOMEVENTURE FUND AND AN AGREEMENT WITH NHSSV FOR AMERICAN DREAM DOWNPAYMENT INITIATIVE PROGRAM ASSISTANCE

RECOMMENDATION

1. Adoption of a resolution approving amendments to the *HomeVenture Fund* grant agreement with Neighborhood Housing Services Silicon Valley (NHSSV) to:
 - a. Reduce the maximum City contribution from \$5,200,000 to \$4,900,000
 - b. Permit \$350,000 of the proposed remaining \$4,900,000 of *HomeVenture Fund* to be utilized for Homeownership Center operations.
2. Adoption of a resolution authorizing an agreement, not to exceed \$30,000, with NHSSV for reservation of American Dream Downpayment Initiative (ADDI) funds, which includes assistance in marketing of the program, the qualifying and selection of the borrowers, and the processing of the City loans.
3. Authorizing the Director of Housing to execute all necessary documents.

BACKGROUND

The Mayor and the City Council have supported NHSSV's efforts to develop and operate a *Neighborworks*® Homeownership Center in San Jose. With the support of the Congressionally chartered Neighborhood Reinvestment Corporation, the City has committed funds to provide a full array of homebuyer education, credit counseling and mortgage lending services to residents and neighborhoods throughout San Jose.

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NHSSV has had many significant accomplishments during the past five years, notably the following:

- Provided, through its HomeOwnership Center, homebuyer education to over 4,500 participants, including approximately 290 teachers;
- Provided, through its *HomeVenture Fund*, 155 first mortgages totaling \$38.2 million from local banks and 80 related deferred second mortgages totaling \$4.3 million;
- Obtained over \$4 million in equity and loan capital from national and state agencies;
- Obtained approval as the first and only nonprofit community-based organization in California to become a CalHFA direct lender;
- Closed, for first-time homebuyers, 70 CalHFA first mortgage loans and \$2.5 million in deferred secondary financing;
- Packaged mortgage financing in conjunction with 66 City of San José Teacher Homebuyer Program loans;
- Increased homeownership among low-income and minority residents in San Jose. Approximately 45% of customers served earn incomes below 80% of the Area Median Income (AMI). Fifty-eight percent of NHSSV homebuyers are minorities;
- Enhanced the City of San Jose's Strong Neighborhood Initiative (SNI) Program through increasing the homeownership rate, acquiring, rehabilitating and reselling homes and organizing two successful Pride Days. Approximately 40% of the homes purchased by NHSSV homebuyers are located within the City's SNI areas;

At the request of the Housing Department and the Redevelopment Agency, NHSSV has submitted a plan to transition to operating self-sufficiency for its first-time homebuyer programs. NHSSV has identified private funds and other income of \$1,500,000 this year, a substantial increase from previous years. NHSSV is requesting a \$350,000 grant from the City for continued operation of the Homeownership Center.

The Housing Department has reviewed this request. The Department proposes 1) reducing from \$5,200,000 to \$4,900,000 the City grant to the *HomeVenture Fund* and 2) permitting NHSSV to utilize for Homeownership Center operations, \$350,000 of the remaining *HomeVenture Fund* balance. The Housing Department also proposes that the City contract with NHSSV for assistance in operation of the American Dream Downpayment Initiative (ADDI) program.

ANALYSIS

The Housing Department has reviewed the City's ongoing relationship with NHSSV, toward the goals of maintaining NHSSV's viability and making the most effective use of limited City funds for affordable housing production. The recommendations result from this review and have received NHSSV's concurrence.

Recovery of Unused City Grants to *HomeVenture Fund*

It is proposed that the City's grant to the *HomeVenture Fund* be reduced from \$5,200,000 to \$4,900,000. The proposed action would enable the City to recover \$300,000 of the \$700,000 of

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20% Housing funded component of the City's total *HomeVenture Fund* grant. The recovered funds will assist the City in meeting its ambitious affordable housing production goal.

The proposed recovery will not impede NHSSV's ability to provide further downpayment assistance to low-income homebuyers. Further review by staff indicates that State law restrictions make 20% Housing funds less cost-effective in assisting low-income homebuyers than other funding sources that are available to assist this same group. Mainly for this reason, none of the \$700,000 has been expended to-date. Also, NHSSV has been successful in obtaining a \$1 million CalHome Program grant that will enable NHSSV to make downpayment assistance loans, on flexible terms, to low-income homebuyers. In September 2004, NHSSV submitted an application for an additional \$1 million CalHome grant for such loans.

Support for HomeOwnership Center Operations

NHSSV has requested a \$350,000 City grant to assist in operation of its HomeOwnership Center for fiscal year 2004-2005. The purpose is to enable NHSSV to continue to retain skilled professional staff that is providing home ownership services to low-income homebuyers. These services are generating real estate and mortgage lending fee income to assist NHSSV in its efforts to become self-sufficient. With increased fee revenues, contributions from corporate and other private sources, government funds and funding from the Neighborhood Reinvestment Corporation, the nonprofit's FY 2003-2006 Business Plan sets a self sufficiency goal for the HomeOwnership Center by the end of Fiscal Year 2006-2007 (June 30, 2007).

The proposed amount is reasonable, based upon the Housing Department review of NHSSV's program operations and its self-sufficiency plan. Accordingly, the Department recommends amending the *HomeVenture Fund* grant agreement to allow for use of \$350,000 for Homeownership Center operations.

Staff will continue to monitor NHSSV's progress toward greater self-sufficiency of its first-time homebuyer programs. NHSSV will be required to submit a report that outlines achievement of its self-sufficiency goals, no later than March 31, 2005, to allow for evaluation of the ongoing need for City operating assistance. In addition, the Housing Department will continue to be proactive in supporting NHSSV to ensure its long-term viability, while minimizing future demands on City funds. Recent actions include:

- Actively supporting NHSSV's efforts to obtain outside public and private funds.
- Fostering partnerships between NHSSV and developers of City-assisted homebuyer projects. For example, NHSSV is assisting in the sale and mortgage financing of affordable homebuyer units in the Las Mariposas and Bonita Court developments.
- Fostering similar partnerships between NHSSV and developers of housing that is subject to the Redevelopment inclusionary housing requirement.

- Executing an agreement with NHSSV to market and originate BEGIN program loans on behalf of the City.
- Qualifying NHSSV as a Community Housing Development Organization (CHDO), to enable NHSSV to obtain federal HOME funds set aside for such organizations.

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American Dream Downpayment Initiative Program (ADDI)

The U.S. Department of Housing and Urban Development recently made a \$400,000 ADDI grant to San Jose to be used to assist low-income families in buying a home in San Jose. The Housing Department proposes that the City contract with NHSSV 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 and will fund and service the loans. The Housing Department proposes providing NHSSV with up to \$30,000, from available federal HOME program funds, to perform the proposed services.

The proposals would enhance NHSSV's ability to serve more low-income homebuyers, by combining the limited amount of ADDI assistance with other programs that it offers. NHSSV's homebuyer education and counseling program meets the ADDI program's strict requirements. The proposals would relieve the Housing Department of conducting the ADDI-required targeted marketing to families who receive Section 8 assistance and are preparing for home ownership and to households that want to buy a mobilehome or manufactured home. NHSSV would further assist the Department by providing homebuyer education and counseling, qualifying and selecting the homebuyers, and preparing a complete loan package for City approval.

COST IMPLICATIONS

Funds for the proposed ADDI program services contract are available in the Housing Department's Fiscal Year 2004-2005 Budget. The other proposals do not require expenditure of additional City funds. The recommended actions are consistent with the *Mayor's Budget Strategy, A. General Principles*.

PUBLIC OUTREACH

Not Applicable.

COORDINATION

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

CEQA

Not applicable. Not a project.


LESLIE CORSIGLIA
Director of Housing