



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Leslye Corsiglia

**SUBJECT:** CALHOME PROGRAM GRANT

**DATE:** January 3, 2011

Approved

Date

1/11/11

**COUNCIL DISTRICT:** All

**SNI AREA:** N/A

## RECOMMENDATION

It is recommended that the City Council Adopt a Resolution:

- (1) Authorizing the Director of Housing to accept a \$1,500,000 CalHome Program grant from the California Department of Housing and Community Development (HCD), and
- (2) To negotiate and execute the grant agreement and any amendments or other documents necessary to implement the CalHome Program.

## OUTCOME

The City of San José will receive \$1,500,000 in State grant funds that will be used to provide low-interest mortgage loans to lower-income families through the housing rehabilitation and homebuyer programs offered in San Jose. In addition to providing direct services to lower-income families, these funds will help stimulate the local housing market by enabling homeowners to hire local contractors to make repairs to their homes and first-time homebuyers will be offered an affordable home finance option.

## BACKGROUND

Proposition 1C was approved by the voters in November 2006; one of the programs funded was the State's CalHome program. The Department of Housing has successfully received \$7,750,000 in competitive grant awards from HCD since 2000, making the City of San José one of the largest beneficiaries of program funding throughout the State.

The most recent CalHome Notice of Funding Availability (NOFA) was published in April, 2010. In response, the Department of Housing submitted an application for \$1,500,000, the maximum funding available through the NOFA. In October, the City received an award letter for the full amount. These grant funds can be used to provide lower-income homeowners with 0-3% simple interest loans through the City's Housing Rehabilitation and Homeownership Programs. Upon

City Council approval, the Director of Housing will be authorized to sign a new CalHome grant agreement, and any other related documents or amendments with HCD.

### **ANALYSIS**

HCD requires that the City Council accept the grant funds. Upon acceptance of these funds, the Department of Housing will begin to provide low interest loans to lower-income homeowners and homebuyers through the Housing Rehabilitation and Homeownership Programs.

#### **Housing Rehabilitation Program**

Approximately twenty lower-income homeowners will benefit from this most recent CalHome grant. The City will limit the use of the CalHome funds to homeowners living in one or more Redevelopment Project Areas, with an emphasis in the City's Strong Neighborhood Initiative (SNI) Areas. The maximum loan amount will be up to \$60,000 per household and will be used to make general repairs and improvements to the homes.

#### **Welcome Home Homebuyer Program**

The City will also use a portion of the CalHome grant to make low-interest loans to approximately 28 lower-income homebuyers through the Welcome Home Program. The Welcome Home Program provides up to \$25,000 in downpayment assistance for lower-income first-time homebuyers in the City of San José. All Welcome Home loans will be structured as 3% simple interest loans, with deferred payments and a term of thirty years.

CalHome program grants will continue to be offered to income-eligible families in either program until either the grant funds are depleted, or three years from the date of the award, whichever occurs first. In addition, the City may retain program income from loan repayments and any interest earned on these funds. This income is deposited into a CalHome Reuse account to be used solely for future home repair or first-time homebuyer downpayment assistance loans for lower-income households. While acceptance of the CalHome Funds will occur in FY 2010-2011, the grant will be made part of the City's FY 2011-2012 budget cycle.

### **EVALUATION AND FOLLOW-UP**

Upon approval of this memo, staff from the Department of Housing will negotiate and execute the CalHome grant award and related documents and amendments.

### **POLICY ALTERNATIVES**

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

***Alternative #1: Do not accept the CalHome grant funds.***

**Pros:** The City can continue to use the 20% Low- and Moderate Income Housing Fund to provide loans through its Housing Rehabilitation and Homebuyer Program.

**Cons:** Declining to accept the grant funds will reduce the overall housing funds available to assist lower-income households in San José and put a further strain on the City's primary source of funding for housing programs.

**Reasons for Not Recommending:** Despite the housing market downturn, the City of San José remains one of the most expensive housing markets in the nation and demand for affordable housing finance options for lower-income households remains strong. These funds will be used to help offset higher cost loans (where available) and help families that may otherwise not be able to continue to live in their homes. Further, future CalHome loan repayments may be kept by the City and used for a sustainable revolving loan program to assist future lower-income homeowners and first-time homebuyers. The acceptance of these funds will increase the total funding available to the residents of San José.

### **PUBLIC OUTREACH/INTEREST**

This action meets Public Outreach Criterion #1. This memo will be posted to the City Council Agenda for January 25<sup>th</sup> 2011, via the City's website. Housing Department staff has also notified key partnership agencies, such as Neighborhood Housing Services of Silicon Valley (NHSSV), the Santa Clara County Association of Realtors (SCCAOR), Rebuilding Together, and the Housing Trust of Santa Clara County (HTSCC) of this agenda item.



**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**

Preparation of this memorandum has been coordinated with the City Attorney's Office.

### **FISCAL/POLICY ALIGNMENT**

This recommendation is consistent with the City's Council-approved Five-Year Housing Investment Plan for FY 2007/08-FY 2011/12, which describes the process of applying for funding under Proposition 1C to support San José's affordable housing efforts.

HONORABLE MAYOR AND CITY COUNCIL

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Subject: CalHome Program Grant

Page 4

**COST SUMMARY/IMPLICATIONS**

The recommendations in this memorandum will recognize and appropriate CalHome funds totaling \$1,500,000 for two core service programs within the Department of Housing in the FY 2011-2012 budget cycle.

**BUDGET REFERENCE**

Not applicable.

**CEQA**

Statutorily Exempt, CEQA Guidelines Section 15267, Financial Assistance to Low- or Moderate-Income Housing.

/s/  
LESLYE CORSIGLIA  
Director of Housing

For questions, please contact Leslye Corsiglia, Director of Housing, at 408.535.3851