



to provide mortgage assistance to first-time homebuyers or home buyer mortgage assistance only in a project that is being constructed or acquired and rehabilitated with other funds.

6. Tenant-Based Rental Assistance Program – funds to provide rent subsidies and/or security deposits to eligible households.

The HOME application may be a combination of two activities as follows:

- One rental project and one first time homebuyer project.
- One rental project and any combination of eligible program activities.
- One first time homebuyer project and any combination of eligible program activities, except first time homebuyer program.

In order to be eligible for funding for any of the six activities, the applicants' household income must fall below 80% of the 2013 County median income as follows:

Household Size	1	2	3	4	5	6	7	8
80% Income Limit	\$40,150	\$45,900	\$51,650	\$57,350	\$61,950	\$66,550	\$71,150	\$75,750

The City has retained the Adams Ashby Group for assistance with completing the HOME application. Adams Ashby Group prepared the HOME application last year and the Community Development Block Grant (CDBG) application for this year. After reviewing the six eligible activities, staff and the Adams Ashby Group believe that the two programs that could provide the best benefits to the City are the First Time Home Buyer Program (FTHB) and the Owner Occupied Rehabilitation Program. A discussion of all six activities are provided below.

#### First Time Homebuyer Program

The City has a large percentage of rental housing and the intent of the program is to assist eligible households in transitioning to home ownership. If awarded, the FTHB funds would be used as a financial assistance tool in the form of deferred payment, known as a silent second loan, which serves as "GAP" financing between the loan amount and the purchase price. A first time homebuyer is defined as a person who has not owned a home during the three-year period before the purchase of a home with subsidy assistance.

The FTHB Program seeks to provide financial assistance to qualified buyers who would not otherwise be able to afford a home in the City. For example, an individual may obtain a "pre-qualification" letter from a primary lender in the amount of \$200,000. The individual however can only find homes that are priced at \$300,000. The City's FTHB Program would be utilized to provide this gap financing in order to allow the individual the ability to purchase the home.

The City anticipates offering these funds at an interest rate of 0% for a period of 30 years with deferred payments. The County currently has a FTHB program which is available to buyers in Grover Beach. However, the County's program has a maximum loan of \$50,000. Based on calculations by staff, the amount of a conventional loan that an income qualified household could qualify for and the average cost of a home in the City, it appears that \$50,000 is not sufficient to cover the financing gap. Therefore, staff is recommending that the amount of the loan not be capped to a specific amount. However, the loan cannot exceed 50 percent of the primary loan and the maximum sales price of a home is \$378,100, consistent with HOME regulations.

#### Owner Occupied Rehabilitation Program

This program provides zero interest loans to owner occupied homes, including mobilehomes, to assist with repairs, improvements or reconstruction necessary to meet federal, state, or local building codes. In 2011, the City administered its own owner occupied rehabilitation program

using Improvement Agency Housing funds. The program successfully assisted 13 homeowners with improvements totaling \$150,000. Based on the City's older housing stock, it is anticipated that many households could take advantage of this program.

#### Rental New Construction Project & Rental Rehabilitation

Both of these activities require a specific project be identified in the application. Presently, staff is not aware of any potential qualifying projects.

#### Homebuyer Project

This activity would assist in the construction financing for new homes or acquisition/rehabilitation/conversion projects, with 100 percent of the HOME investment rolling over to permanent financing to be used as mortgage assistance for first time homebuyers or home buyer mortgage assistance only in a project that is being constructed or acquired and rehabilitated with other funds.

The Homebuyer Project would require the funding be passed along to the new buyers. Using the South 10<sup>th</sup> Street and Farroll Road Project as an example, the funding could aid in property acquisition or construction, but the additional cost would increase the amount of the loan to more than the maximum sales price for the low-income unit. Staff believes that increasing the low-income sales price would deter from the goal of providing affordable housing.

#### Tenant-Based Rental Assistance Program

This program would need to be administered by a non-profit organization. Currently, staff is unaware of any organization seeking funds for this program.

#### Conclusion

Based on a review of the six activities, staff is recommending the HOME application include both the First Time Homebuyer Program for \$300,000 and the Owner Occupied Rehabilitation Program for \$400,000. The application would total \$700,000, which is the maximum amount of the grant.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Adopt the Resolution approving submittal of a HOME application for First Time Homebuyer funds in the amount of \$300,000 and the Owner Occupied Rehabilitation Program for \$400,000, and authorize the City Manager execute any agreements or contracts with the State in regards to this grant application; or
2. Provide alternative direction to staff.

### **RECOMMENDATION**

It is recommended that the Council adopt the Resolution approving submittal of a HOME application for First Time Homebuyer funds in the amount of \$300,000 and the Owner Occupied Rehabilitation Program for \$400,000, and authorize the City Manager execute any agreements or contracts with the State in regards to this grant application.

**FISCAL IMPACT**

The HOME Program is 100% grant funded and, if awarded, includes the costs to administer the grant. The cost for the 2013 HOME application is \$1,850.

**PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

**ATTACHMENTS**

1. Draft Resolution Authorizing the Submittal of the HOME Application

RESOLUTION NO. 13-

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH  
AUTHORIZING THE SUBMISSION OF A HOME INVESTMENT PARTNERSHIPS PROGRAM  
APPLICATION FOR FIRST TIME HOMEBUYER AND OWNER OCCUPIED  
REHABILITATION PROGRAMS**

**WHEREAS**, the California Department of Housing and Community Development (the "Department") is authorized to allocate HOME Investment Partnerships Program ("HOME") funds made available from the U.S. Department of Housing and Urban Development ("HUD"). HOME funds are to be used for the purposes set forth in Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 in federal implementing regulations set forth in Title 24 of the Code of Federal Regulations, part 92, and in Title 25 of the California Code of Regulations commencing with section 8200; and

**WHEREAS**, on May 1, 2013 the Department issued a 2013 Notice of Funding Availability announcing the availability of funds under the HOME program (the "NOFA"); and

**WHEREAS**, in response to the 2013 NOFA, the City of Grover Beach, a municipal corporation, (the "Applicant"), wishes to apply to the Department for, and receive an allocation of, HOME funds.

**NOW, THEREFORE, BE IT RESOLVED:**

1. In response to the 2013 NOFA, the Applicant shall submit an application to the Department to participate in the HOME program and for an allocation of funds not to exceed Seven Hundred Thousand Dollars (\$700,000) for the following activities and/or programs to be located within the incorporated area of the City of Grover Beach:
  - *First Time Homebuyer Program (\$300,000)*
  - *Owner Occupied Rehabilitation Program (\$400,000)*
2. If the application for funding is approved, then the Applicant hereby agrees to use the HOME funds for eligible activities in the manner presented in its application as approved by the Department in accordance with the statutes and regulations cited above. The Applicant may also execute a standard agreement, any amendments thereto, and any and all other documents or instruments necessary or required by the Department or HUD for participation in the HOME program (collectively, the required documents).
3. The applicant authorizes the City Manager or his/her designee(s) to execute, in the name of the applicant, the required documents.

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, and on the following roll-call vote, to wit:

AYES:	Council Members -
NOES:	Council Members -
ABSENT:	Council Members -
ABSTAIN:	Council Members -

the foregoing RESOLUTION NO. 13-\_\_ was **PASSED, APPROVED,** and **ADOPTED** at a Regular Meeting of the City of Grover Beach City Council on this 17<sup>th</sup> day of June 2013.

**DRAFT**  
\_\_\_\_\_  
DEBBIE PETERSON, MAYOR

Attest:

\_\_\_\_\_  
DONNA L. McMAHON, CITY CLERK