



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.:
COUNCIL MEETING: September 18, 2007
APPROVED BY
DEPARTMENT DIRECTOR 
CITY MANAGER

September 18, 2007

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SUBJECT: APPROVE AMENDMENT TO THE FY 2007-2008 ANNUAL ACTION PLAN TRANSFERRING \$1,925,000 OF HOME PROGRAM FUNDS FROM THE RENTAL REHABILITATION LOAN PROGRAM AND THE NEW HOUSING DEVELOPMENT/CONSTRUCTION PROGRAM TO THE FIRST TIME HOME BUYER ASSISTANCE PROGRAM

KEY RESULT AREA

One Fresno

RECOMMENDATION

Staff recommends Council approve FY 2007-2008 Annual Action Plan Amendment transferring \$1,925,000 of HOME Program funds from the Rental Rehabilitation Loan Program and the New Development/Construction Program to the first time Home Buyer Assistance Program.

EXECUTIVE SUMMARY

The first time Home Buyer Assistance Program (HBAP) was funded in the FY 2007-2008 City Budget and the HUD approved Annual Action Plan in the amount of \$2,000,000 in HOME Program funds to finance 26 first time home buyers. While the larger Fresno real estate market has slowed in the last several months, the niche of first time home buyers and entry-level housing continues to attract renters into this buyer's market. Since July 1, 2007, a total of 39 loan requests were submitted to the HBAP. Of these, 19 were approved, eight were not qualified for the program, seven are currently undergoing the review process and five are on the waiting list. The increase of \$1,925,000 in HOME Program funds will allow the HBAP to fund 25 additional loans. Of these additional 25, ten loans will be reserved for new construction housing units. The funds will be made available from the Rental Rehabilitation Loan Program and the New Development/Construction Program. Transferring the funds between the programs will require an amendment to the FY 2007-2008 Annual Action Plan.

KEY OBJECTIVE BALANCE

Approval of the additional funds for the Home Buyer Assistance Program presents an opportunity to make a positive impact to the Customer Satisfaction, Employee Satisfaction, and Financial Management Key Objectives. The approval impacts the Customer Service aspect by demonstrating the City's commitment to administering and ensuring availability of financing for low-income home buyers to purchase their first home. The approval also attributes to Employee Satisfaction by supporting efforts that help to achieve the Housing Element goals of producing affordable housing. In addition, it demonstrates prudent Financial Management by re-allocating funds to an over-prescribed and much needed program to ensure the timely use of federal monies.

BACKGROUND

In the last several years, due to the unpredictable nature of the housing market, the City's first time Home Buyer Assistance Program has experienced varying participation rates. In fiscal year 2005, 58 loans were funded. In fiscal year 2006, 19 loans were funded, and in fiscal year 2007, 34 loans were funded. Since the beginning of fiscal year 2008 (July 1, 2007) the City has experienced a dramatic increase in program participation.

There are several factors contributing to the increase in program participation: 1) a buyer's market currently exists and sellers are participating with more first time home buyers, 2) home prices continue to decline, further intensifying the buyer's market, 3) risky loans such as adjustable interest rate loans and stated income loans are not as readily available to home buyers, and 4) the City eliminated target areas and increased the maximum loan amount to the first time Home Buyer Program in December 2006.

For Fiscal Year 2007-2008, the City budgeted \$2,000,000 in HOME Program funds for 26 first time home buyer loans. Since July 1, 2007, the City has received 39 loan applications. A total of 19 loans have been funded and seven loan applications are under review.

Staff recommends increasing the funding amount for the HBAP from \$2,000,000 to \$3,925,000. The additional funds will provide for an estimated additional 25 loans. Of these loans, ten will be reserved for new construction housing units. Five will be utilized in a new housing development located on Amador and B Streets, in development by Donald Sims. The other five loans will be utilized by the Coalition for Urban Renewal Excellence (CURE) for the sale of five new homes. The City anticipates applying for an additional \$1,000,000 in Prop. 1C funds to augment the program in early 2008.

The funds will be made available from the Rental Rehabilitation Loan Program (RRLP) and the New Development/Construction Program. The RRLP program was funded in FY 2007-2008 for \$1,000,000. The RRLP provides loans to property owners of 2-10 unit multi-family properties to help rehabilitate their properties if rented to low-income families. Although the program has been heavily marketed, it has been under-utilized by rental property owners. The City has found that prospective applicants prefer to not have additional debt secured against their property and believe the yearly monitoring requirements are burdensome. Therefore, staff proposes to transfer funds from the RRLP to the HBAP in the amount of \$500,000, to better utilize funds on an over-extended program. Funding in the amount of \$1,425,000 will be made available from the New Development/Construction Program to the HBAP to ensure federal monies are used in a timely manner and for a program which has seen a surge in demand. There are several large developments in the New Construction Program, such as Transit Village, Parc Grove, Sierra Point (HOPE VI), which are not expected to expend revenues in the fiscal year. The City remains committed to these projects and will reallocate new entitlement funds from fiscal year 2009 to make these projects whole.

The additional funds will help provide assistance to qualified homebuyers to purchase their first home, contribute to neighborhood stability and instill pride in homeownership. The proposed reprogramming of HOME funds to support the Home Buyer Assistance Program will have a minimal impact on the City's ability to continue to provide a variety of housing programs and projects.

Under the HOME Program, an amendment to the Annual Action Plan is required when the City carries out activities not previously identified in the Plan, when an approved project changes from its original intent, or when project/program changes exceed 25% of the HOME entitlement. The amendment process requires: 1) public notification with a 30-day comment period; 2) a recommendation by HCDC, and 3) formal approval by the governing body. The public notice regarding the proposed changes was published on August 18, 2007, in The Fresno Bee.

HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

The Housing and Community Development Commission considered and recommended approval of this item on August 22, 2007 and September 12, 2007.

FISCAL IMPACT

HOME Program funds are available in the Planning and Development Department's FY 2007-2008 Budget. The proposed reprogramming of HOME funds to support the Home Buyer Assistance Program will have a minimal impact on the City's ability to continue to provide a variety of housing programs and projects.