

CITY COUNCIL

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Agenda Item No.: 12

Date: March 28, 2012

TO: Chair and Commissioners

FROM: Jerry Van Leeuwen, Director of Community Services

SUBJECT: Reaffirm Priorities for Fiscal Year 2012-2013 HOME Funds and other Affordable Housing Funds for Affordable Housing Activities

RECOMMENDATION:

It is requested Council provide direction on the use of HOME funds and other affordable housing resources for FY 2012-13.

FISCAL ANALYSIS:

The City currently has three funds which can be used only for the conservation, preservation, rehabilitation and construction of housing units: federal HOME funds, federal NSP funds, and local Successor Agency housing funds.

HOME Funds

The City anticipates receiving \$406,866 in HOME funds for FY 2012-2013. Ten percent of that amount and ten percent of the projected program income derived from loan repayments (a total of \$63,185) is reserved for the City's costs of administering the program. A minimum of 15 percent of the annual allocation of HOME Program funds (\$61,299) must be reserved for the housing development activities of Community Housing Development Organizations (CHDOs). A total of five percent of the HOME grant may also be used to provide operating funds to certified CHDOs, but is not required to be used for that purpose. HOME Program funds must be committed or reserved within two years and expended within five years of allocation.

NSP Funds

Federal stimulus funds under the Neighborhood Stabilization Program (NSP) were received in FY 2009-2010, totaling \$1,307,779, to purchase abandoned or vacant properties for future affordable housing units and for the redevelopment of such lots through new construction. 1282 N Broadway is an integral part of a current project anticipated to provide 36 rental units (El Norte Apartments). Three properties, at 3rd Avenue and Pine/2nd Avenue in the Mercado District and 537 Elm Street were purchased with the intention of developing two additional projects. Redevelopment of these properties will not be possible within the NSP timeline. Funds will be reinvested in El Norte

Apartments and the redevelopment of six City-owned mobilehome lots by Urban Housing Communities.

Successor Agency Funds

The Community Development Commission of the City of Escondido was dissolved in January 2012 after 27 years. During those years funds were set aside and held in a low- and moderate-income housing fund. Based on current legislation, any funds that were held in the low- and moderate-income housing fund will be returned to the Redevelopment Property Tax Trust Fund in the County. Assets held by the low- and moderate-income housing fund, including repayments of loans originally funded from Housing Set-Aside Funds are retained by the Successor Agency. Under the Community Redevelopment Law, these funds must be used to increase and improve the supply of low- and moderate-income housing within Escondido. Interest income, repayments of previous loans and income from the sale of mobile home lots are expected to generate \$700,000 in FY 2012-13.

GENERAL PLAN ANALYSIS:

The proposed program budget is consistent with the City's adopted Housing Element. The fund expenditures assist the City in the creation of new housing opportunities through conservation, preservation, rehabilitation and construction of housing units.

BACKGROUND:

Based on community needs assessments and public participation, six community development priorities were identified and adopted as part of the FY 2010-2015 Consolidated Plan for CDBG and HOME. The needs assessment conducted for the City's Consolidated Plan (approved in May of 2010) demonstrated that the housing assistance needs of Escondido households far exceeded the resources that are projected to be available during the five years (2010-2015) covered by the Consolidated Plan. Thus, priorities have been established in the City's Consolidated Plan.

In light of the changes in funding available for the conservation, preservation, rehabilitation and construction of housing units, three programs, HOME (a first-time homebuyer program serving residents earning 80-120% AMI), Senior Rental Subsidy and Housing Rehabilitation, have been suspended. Staff requests direction from Council on priorities in order to prepare budgets and staffing assignments for FY 2012-2013 and is asking Council to review and reaffirm the priorities for use of the FY 2012-2013 HOME budget, allocating federal HOME funds and other potential affordable housing funds, for projects and/or programs. A full discussion of each of the housing programs administered by the Housing Division and their recommended funding can be found in Appendix "A".

Current Program	Available funding	Comments	Staff Rec.
First Time Homebuyer (under 80% AMI)	HOME, Repayments		Continue with HOME funds
First Time Homebuyer (over 80% AMI)	Repayments		Discontinue until alternative funding is identified
Housing Rehabilitation	HOME, Repayments, CDBG		Discontinue until alternative funding is identified
Senior Rental Subsidy	Philanthropy & Repayments, HOME	To continue under HOME rules (TBRA) would greatly expand program and increase staff intensity.	Work with philanthropists to continue for lowest income residents (under 30% AMI) for up to 15 months.
Projects	HOME, Repayments, CDBG	Projects proceed as funding is accumulated and appropriate sites are identified. Housing is developed/ maintained by the private/non-profit sector for 55 years; City monitors developments. Funds not committed to a specific program will be used for future project development.	Continue as funds are available

Housing Activities

A variety of programs and projects have been utilized to address the priorities of the Consolidated Plan. There are six adopted housing priorities, many of which overlap and could be achieved within the same activities. As listed in the Consolidated Plan, they include: 1) Increasing homeownership opportunities; 2) Conserving the supply of existing ownership housing; 3) Expanding the stock of affordable rental housing; 4) Promoting neighborhood stability by increasing the length of stay in rental housing; 5) Increasing the supply of well-designed multi-family housing units; and 6) Expanding the supply of three- and four-bedroom rental units.

Homeownership Opportunities

Priorities 1 and 2 relate to the need for homeownership in Escondido. The rate of homeownership in Escondido is 54 percent, which is lower than the state and national averages of 57 percent and 67 percent respectively as reported by the 2010 Census. The anticipated FY 2012-2013 One-Year

Action Plan will address the need to reduce turnover rates and increase a sense of ownership within the community. The issuance of Mortgage Credit Certificates (MCCs) and Homebuyer Entry Loan Program (HELP) loans to assist first-time homebuyers in the purchase of their homes will contribute to increased stability. The five-year Consolidated Plan's objective is to assist approximately 15 households per year with HELP loans and assist three households per year with MCCs.

Rental Housing Assistance

Priorities 3, 4, 5 and 6 relate to the improvement of the supply of rental housing in the City to meet the needs of Escondido residents. The Consolidated Plan cites overpayment for housing as a widespread housing problem in Escondido, especially among lower-income renters. Additionally, the rate of overcrowding is especially acute for large-related renter households. This trend reflects in part the limited supply of large rental units in Escondido. The Consolidated Plan sets forth an objective of assisting in the provision of 23 deed-restricted rental units for families per year, four of which would be three- or four-bedroom units.

Affordable Housing Project Development

As a strategy toward meeting related priorities, the anticipated City's FY 2012-2013 One-Year Action Plan will place an emphasis on the rehabilitation and, where appropriate, new construction of rental units. Redevelopment and rehabilitation will occur with the assistance of HOME funding and recycled Housing Set-Aside Funds, as leverage to other funding sources. During the upcoming fiscal year, the City anticipates the completion of the redevelopment of the El Norte Apartments at the intersection of Broadway and El Norte Parkway, providing 36 multi-family rental units that include two-, three- and four-bedroom units by Community HousingWorks. Urban Housing Communities anticipates completing the redevelopment of 6 manufactured home units at Mountain Shadows and Escondido Views Mobile Home Parks for ownership. In addition, San Diego Habitat for Humanity will commence self-help construction on a minimum of 11 town homes for first time homebuyers, developing two unimproved lots on Elm Street adjacent to the Escondido Creek Trail.


CONCLUSION AND RECOMMENDATIONS:

The City's 2009-10 community needs assessment identified a number of significant findings related to the housing assistance needs of lower-income residents of Escondido. Analysis of housing data contained in the 2000 Census data, as well as more recent data from SANDAG and the State Department of Finance, produced priorities that were approved by the City Council when the Consolidated Plan was adopted. Priorities include increasing home ownership opportunities, conserving the supply of existing ownership housing, expanding the supply of affordable rental housing, promoting neighborhood stability by increasing length of tenure of rental households, increasing the supply of well-designed multi-family units, and expanding the supply of three- and four-bedroom units for low-income families. The Housing Division recommends that Council affirm

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priorities for FY 2012-2013 HOME and other affordable housing funds for affordable housing activities, continuing to fund housing projects and the first-time homebuyer program, as funds are available.

Respectfully submitted,



Jerry VanLeeuwen, Director
Community Service

APPENDIX "A"

SUMMARY OF HOUSING PROGRAMS

Mobile Home Park Conversion

Program Description:

In past years, the City of Escondido assisted three mobile home parks in the process of conversion to resident ownership. This program works in combination with the State Mobile Home Park Resident Ownership Program (MPROP) in order to maintain a stable housing cost level in mobile home parks. The City also assists those who wish to acquire mobile home parks for conversion to resident ownership by providing technical assistance and information. The City has an adopted mobile home conversion policy and application form that is available upon request.

In early 1991, the City purchased two mobile home parks, the Escondido Views Mobile Home Park and the Mountain Shadows Mobile Home Park, for the purpose of assisting the residents in converting their parks to resident ownership. The sale of lots to their respective residents began in FY 1991-1992. By summer of 1995, a majority of the lots were sold in both the Escondido Views and Mountain Shadows mobile home parks.

As of March 19, 2012, 178 of the 209 lots (85%) in Mountain Shadows had been sold and 144 of the 152 lots (95%) in Escondido Views had been sold. Residents who did not wish to purchase their lots continue to rent their spaces from the City. During fiscal year 2010-2011 no lots in either park were sold, although the Housing Division is working with Urban Housing Communities and NSP funds to redevelop and sell six vacant lots.

Proposed Funding Level for FY 2012-2013:

Previously, sales of the lots have been directed to the payment of the bond that financed the purchase of the parks. At the March 1, 2007 bond call, the remaining balance of the bond and accrued interest was paid. Revenue received from all future sales of the remaining 39 lots will accrue to the housing fund.

Therefore, no funding is required for 2012-2013, as the rental income on the lots is expected to cover any administration and maintenance costs on the remaining lots that are managed by the Housing Division.

Funds from the sale of vacant lots will accrue to the housing fund.

HOMEBUYER ENTRY LOAN (HELP) Program

HOMEOWNERSHIP DOWN PAYMENT/CLOSING COST ASSISTANCE PROGRAM

Program Description:

The HELP program is a City-administered first-time homebuyer program that currently provides loans up to 5 percent of the purchase price of a home (maximum \$25,000) to assist homebuyers earning 80 percent or less of the San Diego County area median income (\$64,250 for a household of four) to purchase their first home. The HELP program has been funded with HOME funds since September of 1996. In the first half of this fiscal year (by February 29, 2012), 42 HELP loans have been issued.

Proposed Funding Level for FY 2012-2013:

Staff is recommending balancing funding for first time homebuyer loans with project needs using a portion of available Housing Development HOME funds (up to \$312,382).

HOME OWNERSHIP MADE EASY (HOME)

HOMEOWNERSHIP DOWN PAYMENT/CLOSING COST ASSISTANCE PROGRAM

Program Description:

This program provides loans of up to \$25,000 for down payment and/or closing cost assistance to eligible first-time homebuyers with income between 80% and 120% AMI (currently \$75,900-91,100 for a 4-person household). The program mirrors the federally funded HELP program that assists first-time buyers with income at or below 80% of AMI. As of January 31, 2012, 33 loans were funded.

Proposed Funding Level for FY 2012-2013:

There are currently no funds available to administer this program. Recommendation: discontinue until alternative funding is identified.

Owner-Occupied Housing Rehabilitation

Program Description:

The Housing Rehabilitation Loan Program assists owner-occupants of both single-family homes and mobile homes. The program provides low- or no-interest loans that allow owners to make needed repairs and improvements to their homes. The program offers a no-interest, deferred payment loan to mobile home owners and a 3% simple interest deferred loan to single-family homeowners. In all cases, repayment of the rehabilitation loan is due when the property is sold or refinanced, upon change of title, or if the property is no longer owner-occupied by the rehabilitation loan recipient.

This program was suspended in early 2012 with the dissolution of the CDC. The program offers loans up to \$20,000 to mobile home owners with income at or below 80% of the area median income (AMI) and loans up to \$40,000 to single-family homeowners with income at or below 80% of AMI. An additional \$15,000 is available to those single-family home applicants who require connection to the local sewer system.

The roof only repair program offers a \$10,000 loan to low-income owners of mobile homes and a \$15,000 loan for roof repairs to single-family homeowners who earn less than 80% AMI. The loan may also cover exterior repairs to mobile homes when the park management has indicated the homeowner must comply with park covenants and restrictions by completing certain exterior repair items such as repairs to steps, skirting and flashing. The purpose of the program is to streamline a major component to the Rehabilitation Program (roof repair) when an applicant only requires exterior repairs. If a recipient needed to apply for additional assistance from the Rehabilitation Loan Program, total assistance may not exceed \$20,000 for mobile home loans and \$40,000 for single-family home loans.

As of February 29, 2012, 14 loans were funded to assist mobile home owners. No loans for single family homes or exclusively for roof repair or replacement were issued during the current fiscal year.

Proposed Funding Level for FY 2012-2013:

This program has been funded through the CDC in past years. Although it can be funded using either HOME or CDBG funds, it is recommended that the program be discontinued until alternative funding is identified.

Mobile Home Rent Subsidy Program

Program Description:

In the spring of 1999, the Escondido City Council adopted a mobile home rent subsidy program for seniors and persons with disabilities. Eligible mobile home recipients receive a \$100 rent reduction each month from the City via payments made on their behalf to the mobile home park. The resident income for the Mobile Home Rent Subsidy Program cannot exceed 50% of AMI. Recipients are required to show application to HUD for Section 8 rental assistance. Once they receive Section 8 benefits, they are no longer eligible for the City assistance. 135 residents were being served by the program in the 14 mobile home parks when the program was suspended.

Proposed Program Revisions:

The Housing Division has opened conversations with local philanthropists who are concerned about the rapidity with which this program was suspended. Conversations have focused on helping those in greatest need, households with an income of less than 30% AMI (\$19,300 for a household of 2) who were part of the program when it was suspended on January 30, 2012, and allowing the program to attrite over a 15 month period. Philanthropists and the City could split program costs.

Proposed Funding Level for FY 2012-2013:

Initially, 67 residents will be served; through attrition, 55 are expected to be served at the end of the 15 month period. \$47,000 is recommended toward program funding and deemed adequate for one-half of the program cost. Funding would be through the Successor Agency.

Apartment Rent Subsidy Program

Program Description:

In December 2001, the Escondido City Council approved a rent subsidy program for seniors and persons with disabilities renting apartments. This program is modeled after the City's Mobile Home Rent Subsidy program with the exception that households receive \$125 toward their rent each month instead of \$100. Recipients must earn less than 50% of area median income and are required to show application to HUD for Section 8 rental assistance. Once accepted onto the Section 8 program, they are no longer eligible for the City's program. 141 eligible households were assisted in the eight senior apartment complexes when the program was suspended.

Proposed Program Revisions:

The Housing Division has opened conversations with local philanthropists who are concerned about the rapidity with which this program was suspended. Conversations have focused on helping those in greatest need, households with an income of less than 30% AMI (\$19,300 for a household of 2) who were part of the program when it was suspended on January 30, 2012, and allowing the program to attrite over a 15 month period. Philanthropists and the City could split program costs.

Proposed Funding Level for FY 2012-2013:

Initially, 81 residents will be served; through attrition, 58 are expected to be served at the end of the 15 month period. \$65,000 is recommended toward program funding and deemed adequate for one-half of the program cost. Funding would be through the Successor Agency.

Mortgage Credit Certificates

Program Description:

This program involves the cooperation of the City, local lenders and real estate companies in a partnership to provide affordable ownership opportunities to low- and moderate-income first-time homebuyers. Homeownership opportunities are increased when homebuyers receive a Mortgage Credit Certificate (MCC). The MCC reduces the homebuyer's federal income taxes, which results in an increase in the buyer's net earnings. Lenders then consider this increase when underwriting the buyer for a mortgage loan.

Escondido is a participating city in the San Diego County Regional MCC Program. An independent firm, under a contract with San Diego County, administers the MCC program. Each participating city pays the administration costs specifically related to the average mortgage costs and the number of MCCs issued in its jurisdiction.

Proposed Funding Level for FY 2012-2013:

An allocation of \$5,000 that pays for the administration of the Mortgage Credit Certificate Program is recommended. No revisions are recommended at this time.
