



## Legislation Text

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File #: 20-563, Version: 1

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**SUBJECT:** Adoption of a Resolution Authorizing Application for and Receipt of First-Time Homebuyer Program Grant Funding Through the California State Department of Housing and Community Development 2020 CalHOME Program

### REPORT IN BRIEF

Authorizes Housing Division staff to apply for grant funding in association with a CalHome Program Notice of Funding Availability issued by the California State Department of Housing and Community Development, and authorizes the receipt of grant funds, if awarded.

### RECOMMENDATION

**City Council** - Adopt a motion:

- A. Adopting **Resolution 2020-67**, a Resolution of the City Council of the City of Merced, California, hereby authorizes the submittal of an application to the California State Department of Housing and Community Development for funding under the CalHome Program; the execution of a standard agreement if selected for such funding and any amendments thereto; and any related documents necessary to participate in the CalHome Program; and,
- B. Authorizing the Interim City Manager to execute the standard agreement and other necessary documents associated with the grant application and award process.

### ALTERNATIVES

1. Approve, as recommended by staff; or,
2. Approve, with modifications; or,
3. Deny the request completely; or,
4. Refer to staff for reconsideration of specific items as requested by Council; or,
5. Continue to a future City Council meeting (date and time to be specified in the motion).

### AUTHORITY

Municipal Code Section 200; California Health and Safety Code - HSC, Division 31, Part 16, Sections 54000-54034 (Veterans and Affordable Housing Bond Act of 2018); HCD Notice of Funding Availability (NOFA) - issued August 31, 2020.

### CITY COUNCIL PRIORITIES

If awarded, this grant program will align with the City Council's FY 2020-21 Priority #10 for First-time Homebuyer Education Programs, by providing deferred-payment mortgage loan assistance for

eligible City of Merced households. Homebuyer education is a required element for all homebuyers who will receive a mortgage assistance loan through the HCD funds.

## **DISCUSSION**

The City of Merced Housing Division is requesting City Council consider adoption of a Resolution giving staff authorization to submit an application for CalHome grant funding under the California's Veterans and Affordable Housing Bond Act of 2018.

The California State Department of Housing and Community Development (HCD) is now accepting applications for funding towards activities that include owner-occupied rehabilitation, accessory dwelling unit (ADU) assistance, and first-time homebuyer mortgage assistance. The application deadline is October 29, 2020. The requested Resolution adoption is a necessary part of the State's application.

### Background

In January 2020, City Council authorized an application to HCD for 2019-round program funding, also for a first-time homebuyer assistance grant, but unfortunately, Merced was not among the twenty-six jurisdictions and organizations that were awarded funds.

On August 31, 2020, HCD announced the availability of approximately \$57 million in state CalHome program funds to fund Local Public Agencies or Nonprofit Corporations for eligible activities. The 2020 round of funding will include geographic targets of up to 45 percent of available funds for Southern California, up to 30 percent for Northern California, and up to 15 percent for rural applications.

In past years, the Housing Division has successfully applied for CalHome funding for first-time homebuyer (FTHB) mortgage assistance, which, in turn, has helped numerous Merced residents afford the homes they and their families live in.

While past funding has run dry, the local need for this type of assistance has not. Since 2017, the Housing Division has maintained a waiting list of interested residents, in hopes that further state funding would become available. Currently, there are 38 interested preliminarily income-qualified residents on the list, some having been on the list for nearly three years. Given this demand, and as home prices are increasing, vacant rental units are scarce, and local home construction is active, Housing staff believes this is an opportune time to apply for this funding.

### Targeted Funding

Staff intends to apply for a total of \$1,100,000, comprised of \$1,000,000 of mortgage loan assistance, and \$100,000 (10%) for staff administration activity costs. With HCD's assistance per-loan cap of \$100,000 per household, staff expects to be able to assist at least ten residents on the waiting list. Assistance to individual households will be in the form of 30-year deferred-payment loans payable on the sale or transfer of the home, when it ceases to be owner-occupied, or at maturity. The CalHome program requires that all funds be used within three years and that funds are to be aimed at low and very low-income households (at or below 80 percent of the Area Median Income (AMI)). Funds can only be used as gap funding - that is, to help fill the gap between the sale price of a home and the

amount a borrower qualifies for a primary first mortgage.

For more details of the State's CalHome program requirements, please refer to Attachment 1. An announcement of funding awards is expected in February 2021.

### **IMPACT ON CITY RESOURCES**

As these are funds granted by the State, staff does not expect any impact to City resources, with the exception of staff time dedicated to its application and implementation.

### **ATTACHMENTS**

1. 2020 CalHome Notice of Funding Availability (NOFA)
2. Draft Resolution