



REPORT

DATE: For the Agenda of February 1, 2002 **ITEM 100**

REPORT NO: HCR 02-003

SUBJECT: CCDC Downtown First-time Homebuyer Program (Districts 2 and 8)

SUMMARY

Issue No. 1: Should the San Diego Housing Commission administer the Downtown First-time Homebuyer Program for Centre City Development Corporation (CCDC)?

Recommendation No. 1: That the Chief Executive Officer be authorized to execute a Cooperation Agreement with the Redevelopment Agency of the City of San Diego (Agency), as further outlined in the report, in substantially the format of Attachment 1 and subject to final approval by the CEO and General Counsel.

Issue No. 2: Should the Housing Commission amend its FY02 Budget to incorporate funds for this activity?

Recommendation No. 2: Amend the San Diego Housing Commission's FY02 Budget as follows (Attachment 2):

- a) Increase the Housing Finance & Development's Loans and Grants line by \$900,000 of Agency funds to reflect additional revenue for first-time homebuyer loans.
- b) Increase the Reserve funds by \$85,000 to include \$25,000 in start-up/set up fees and \$60,000 in servicing fees to be received from the Agency.

Fiscal Impact: Approximately \$900,000 of Agency FY02 funds have been earmarked for loans to first-time homebuyers under the Program. In addition, the Commission will receive \$25,000 as a start-up/set-up fee and a servicing fee of \$4,500 per closed loan and \$500 per cancelled loan.

Affordable Housing Impact: Approximately 15 homebuyers earning up to 120% of median area income (presently \$68,280 for a family of four) would be eligible for assistance.

Future Related Actions: This item will go before a joint session of the Housing Authority and the Redevelopment Agency for approval, along with a report from CCDC.



BACKGROUND

In July 2001, the CCDC board identified the development of a second trust deed loan program as one of the Low and Moderate Income Housing Priorities for Fiscal Year 2002. The Board directed CCDC staff to create a program that would make homeownership in downtown more accessible and affordable to moderate income first-time homebuyers. Commission staff has been working with CCDC staff since last summer to formulate such a program.

DISCUSSION

The Commission has operated a very successful first-time homebuyer program since 1990. Consequently, there are procedures and Commission staff in place to operate first-time homebuyer programs for other funding sources. Presently the Commission has an agreement to operate Southeastern Economic Development Corporation's first-time homebuyer and rehabilitation programs; the Commission also operated the Linda Vista First-Time Homebuyer Program.

The CCDC program is modeled somewhat after the Housing Commission's successful shared equity program but is set up to meet CCDC and redevelopment law requirements. The program will utilize the Housing Commission's presently approved shared equity lenders consisting of California Bank and Trust, California Federal Bank, Chase Manhattan Mortgage, Countrywide Home Loans, San Diego Funding and Union Bank of California. The program details are included as Attachment 3. After the program is implemented, CCDC may consider using the funds outside of the downtown area and also extending the time for loan commitments in specific new developments.

The Commission will receive a set-up fee of \$25,000 that includes attorney's costs to review the Cooperation Agreement and the loan documents, staff expenses, lender trainings, upfront marketing of the program with CCDC staff, set up of monitoring/servicing of loans and computer changes to incorporate CCDC loan documents. A servicing fee of \$4,500 per closed loan, which would be paid to the Housing Commission, includes the upfront review, underwriting and approval of the loan by the Commission following CCDC's guidelines and the servicing of the loan in future years.

The Cooperation Agreement outlines the terms and division of responsibilities for both CCDC and the Commission. The following is a summary of the basic terms expected of the parties:

Commission:

- ❖ Certify and train lenders
- ❖ Distribute marketing materials
- ❖ Coordinate escrow with first trust deed lender
- ❖ Prepare closing documents for each loan
- ❖ Collect payments from borrowers
- ❖ Monitor occupancy
- ❖ Handle delinquencies, foreclosures, claims
- ❖ Provide periodic reports

CCDC

- ❖ Prepare loan program guidelines
- ❖ Prepare standardized loan closing documents
- ❖ Conduct marketing & promotions
- ❖ Loan approvals (delegated to CCDC President)
- ❖ Program funding

ALTERNATIVES

Agree to administer a program that conforms to the Housing Commission's shared equity program in terms, conditions and affordability requirements.

Direct the Chief Executive Office not to execute a Cooperation Agreement with the Agency.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Jack D. Farris
Manager, Housing Finance & Development

Elizabeth C. Morris
Chief Executive Officer

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- Attachments:
1. Proposed Cooperation Agreement
 2. FY02 Budget Revision
 3. CCDC Downtown First-Time Homebuyer Program Guidelines