

**Adoption of Resolution No. 6054(16)  
Homebuyer Assistance Down  
Payment Loan Program; Allocation  
of Funds**

Lompoc City Council

June 7, 2016

# Recommendation

Staff recommends the City Council:

- Adopt Resolution No. 6054(16) (Attachment):
  - Implementing the Homebuyer Assistance Down Payment Loan Program (Program); and
  - Authorizing the City Manager or designee to sign any agreements and/or loan documents as necessary for the implementation of the Program; and
  - Allocating of \$1,080,000 from the Lompoc Affordable Housing Trust Fund (LAHTF) to fund the Program.

# Background

- On December 2, 2003, the then City Council adopted Resolution No. 5135(03) establishing a housing in-lieu fee, and on December 16, 2003, adopted Ordinance No. 1492(03) adding Chapter 18 (Housing In-Lieu Fee Program) to the Lompoc Municipal Code.
- On April 5, 2005, the then City Council adopted Resolution No. 5237(05) adopting the LAHTF Program Implementation Plan (Plan), confirming trust funds would be used to provide loans to qualified developers, public entities, groups and individuals to undertake activities to create new affordable housing, thereby expanding the City's below-market housing stock.
- On October 7, 2008, the then City Council approved the first amendment of the Plan to allow use of Plan funding for reasonable administrative costs, not to exceed \$10,000 annually, to allow loan processing costs to be included in the loan amount or collected with the application, to require the execution of Council-approved loans within a 180-day period, and to use Plan funds (in part) for the acquisition of The Mortgage Office loan servicing software program and 12 months' of software maintenance service for a total not to exceed \$7,000.

# Background

- On July 15, 2014, the then City Council approved the second amendment of the Plan to allow increased funding for administrative costs, add the ability to charge interest on funds loaned to borrowers, and to expand the types of “Eligible Housing Projects” to include “existing” housing for the purpose of a program for very low-, low-, and moderate-income families.
- On November 3, 2014, the City of Lompoc (City) issued Request for Proposal (RFP) No. 2771 soliciting consulting services for the Program. The deadline for submission of sealed proposals was November 13, 2014. The City received one submission from Housing Trust Fund of Santa Barbara County (HTFSBC) and Peoples’ Self-Help Housing Corporation (PSHHC) naming HTFSBC as Project Director and PSHHC as Subcontractor (collectively the Consultants). The response was complete and qualified.
- On July 21, 2015, the City Council approved the contract with HTFSBC and the appropriation of \$42,500 for the development of the Program and outreach and processing costs associated with ten loans.
- During the City Council meeting of July 21, 2015, the City Council formed an ad hoc committee consisting of Council Members Starbuck and Vega, to assist with the development of the Program as well as inclusion and consideration of local realtors and lenders who expressed interest during the meeting.

# Background

- A meeting with the interested parties and the ad hoc committee was held to review the proposed Program and to receive input. Prior to the meeting the Consultants worked with staff to address some of the concerns expressed during the July 21, 2015, City Council meeting. Concerns included the low number of loans (only ten loans initially estimated), lack of closing cost grants, local participation restrictions, and very-low income level assistance (large loan amounts).

# Discussion

- The initial proposed Program has been expanded to provide funds for up to 20 Program loans and closing cost grants.
- The Program goal and purpose is to expand homeownership opportunities by providing down payment assistance to enable local working families and individuals to purchase entry-level homes in the City of Lompoc. The Program Guide and Disclosure is the final product submitted for Council approval.

# Discussion

- The Program will provide a secondary loan of up to 16.5% of the home purchase price or a maximum loan of \$50,000 per homebuyer.
- The term will be 30-year deferred payment loan with simple annual interest of 3%.
- No interest or principal payments will be due until the end of the loan term or upon sale of the home, whichever occurs first.
- In addition to the loan, the City would make available, if needed, closing cost grants up to \$3,500 for eligible homebuyers. The amount of the grant would be determined by an analysis of the homebuyer's financing needs during the mortgage underwriting of the loan application.

# Discussion

- An eligible homebuyer:
  - (i) must be a first-time homebuyer (not having owned a principal residence within three years from the date of program application),
  - (ii) may not own other residential property,
  - (iii) must be a U.S. Citizen or a documented resident alien, living or working in the County of Santa Barbara, and
  - (iv) must have a household income not exceeding 80% of area median income (currently \$55,800 for a family of four).



# Discussion

- The applicant also must
  - (i) attend the City-approved Homebuyer Education Training class that would be provided by the Consultant (Peoples' Self-Help Housing) and
  - (ii) secure pre-approval of a 30-year fixed rate first mortgage loan from a participating lender and have satisfactory credit and job/income stability.

# Discussion

Participating lenders will be identified through:

A mandatory informational meeting; and  
Approval of program loan documents through  
internal underwriters and execution of a  
Partnership agreement with the City.

# Discussion

- Applicants also must contribute at least 3.5% of the home purchase price and must invest any other liquid assets in excess of \$15,000 for the purchase of the home.

# Fiscal Impact

- The total Program costs will be \$1,122,500, including the already approved \$42,500 consultant costs associated with the development of the Program.

<b>Loan Funds (20 loans est. at \$50,000 maximum)</b>	<b>\$1,000,000</b>
Closing Cost Grant Funds (20 loans est. at \$3,500)	70,000
Program Consultant Contract (approved by City Council 7/21/15)	42,500
Additional Loan Outreach/Processing Costs (for additional 10 loans*)	10,000
<b>Total Program Costs</b>	<b>\$1,122,500</b>

\*Contract approved for the loan outreach/processing cost associated with 10 loans; recommendation is for 20 loans; therefore additional loan outreach and processing is required for the addition of 10 loans.

# Fiscal Impact

- Total amount of funding required from the LAHTF is \$1,122,500 to fully implement this initial phase of the program.
- The LAHTF balance as of the most recent annual report (dated 6/30/2015) is \$3,814,622.
- Appropriation of \$1,122,500 will utilize 30% of the total LAHTF, leaving sufficient funds to assist affordable housing developments.
- Once the Program has proven to be successfully received by the community, additional funds may be allocated to the Program to assist more families with purchasing their first homes in Lompoc.

# Fiscal Impact

- The recapture of Program loan funds will occur at the time of resale or maturity of the loans.
- Because those loans are not amortized loans where regular monthly payments of principal and interest are received, a schedule of repayment is difficult to estimate.
- The LAHTF receives revenue as developers pay the required housing in-lieu fees associated with their developments.
- When the Program's loan funds are completely expended, staff will reevaluate the Program for additional funding and return to Council at that time, or during the biennial budget process.

# Conclusion

- Staff recommends the City Council implement the Program and approve the supplemental appropriations of \$480,000 from the LAHTF to supplement existing appropriations of \$642,500 to fully fund the Program at \$1,122,500.
- The funding will provide loan funds for up to 20 loans estimated at a maximum of \$50,000 each, 20 closing cost grants estimated at \$3,500 each, and \$10,000 to process and conduct education and outreach for the additional 10 loans that originally were approved during the consultant contract approval process.
- The City Manager or his designee will be authorized sign any loan documents as necessary.