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DATE: July 29, 2008

TO: Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Authorization for Executive Director to Execute a Professional Services Agreement With the Bay Area Homebuyer Agency, in an Amount not to Exceed \$75,000.

RECOMMENDATION

That the Agency Board authorizes the Executive Director to Execute a Professional Services Agreement with Bay Area Homebuyer Agency (BAHBA) to provide first time homebuyer services.

BACKGROUND

On December 14, 1993, the Agency Board approved a First-Time Homebuyer Program (the Program) to provide down payment assistance loans to moderate-income homebuyers in Hayward. Per State regulations, a moderate-income household is a household who earns no more than 120% of Area Median Income (AMI) or less. In Alameda County, 120% of AMI for a family of four is \$103,300. The loans are financed with Agency Low and Moderate Income Housing Funds (Low-Mod funds). Currently, the maximum amount of the loans provided is \$20,000 and can be used for down payment and non-recurring closing costs.

Prior to the Bay Area housing boom a full-time staff person administered the Program, and the City issued up to 40 loans per year. However, during the peak of the housing boom when low housing inventories, high prices, and 100% mortgage financing were common, only about five loans per year were issued. More recently, with the national housing and mortgage crisis and the virtual disappearance of one hundred percent financing, the demand for loans has been rising again. During FY 08, the Agency took in 14 applications and completed 11 loans, most of them to homebuyers who bought Inclusionary Housing Program (below-market rate, BMR) homes including homes at the Garden Walk and Eden Shores developments. Staff expects to make 20 to 25 First-Time Homebuyer loans in FY 09, and funding for the Program has been increased from \$340,000 to \$500,000 this year in anticipation to a likely increase of the loan amounts.

DISCUSSION

The work involved in the First-Time Homebuyer Program, includes marketing the Program and developing a pool of qualified buyers, ensuring that the homebuyers have received the necessary education and counseling, working with lenders as well as participating inclusionary housing developers, generating loan documents, servicing the loans, and administering ongoing re-finance and sale provisions. The Program requires many hours of staff time for each participating client. The City currently has a Housing Development Specialist who administers the program, along with many other affordable housing duties including administering the City's Inclusionary Housing Ordinance, considering and funding new affordable housing developments, federal and state reporting requirements and, this year, assisting to update to the City's Housing Element. Clerical and administrative personnel undertake some of the First-time Homebuyer Program work, however, the front end work of homebuyer education and buyer pre-qualification requires a professional level of knowledge of the mortgage finance field.

Because of the resurgence in demand for the Program as well as a desire to create a larger pool of qualified buyers to assist in the sale of Inclusionary Housing units, staff included funding in this year's budget in order to contract with a firm that specializes in operating such programs. Several jurisdictions in the Bay Area contract with organizations who administer an entire first-time homebuyer program on their behalf. Other jurisdictions contract for specific homebuyer services such as homebuyer counseling or the provision of primary or secondary financing to buyers. Staff proposes to contract out for a portion of the Program involving first-time homebuyer outreach and education as well as the mortgage pre-qualification work, and to keep in-house the work involved in final review and approval of qualified buyers, generating the actual loan documents and servicing the completed loans. Such a contract will also enable staff to work with the contracting firm to review and propose changes or updates to the loan provisions and documents.

Staff interviewed two Bay Area organizations that provide homebuyer services for cities. Staff recommends entering into a contract with the Bay Area Home Buyer Agency not only because of their relatively competitive fees, and their service to nearby San Leandro and Alameda, but also due to their flexible service model, which allows jurisdictions to "pick and choose" the services they need. The scope of services in the Agreement with BAHBA will include the following:

- Develop a Program Policies and Procedures Manual for both the first-time homebuyer and the BMR programs
- Conduct seminars to educate homebuyers about the Hayward programs and the home-buying process
- Market Hayward's homebuyer programs and maintain a database of potential homebuyers
- Conduct outreach workshops for real estate, lending, and mortgage industry professionals about Hayward homebuyer programs

- Provide homebuyer and credit counseling services to prospective first-time homebuyers in Hayward
- Screen, pre-qualify, and underwrite homebuyer program participants
- Process refinance requests of first mortgage loans from program participants
- Process re-sales of BMR homes, and screen and qualify prospective buyers of resale BMR homes.

BAHBA has provided a schedule of fees for the above-mentioned services. Based on an assumed number of deliverables (i.e., number of workshops, refinance requests, etc.) staff determined that a maximum of \$75,000 per year should be approved for the contract with BAHBA. The contract would fund processing and prequalifying services of approximately 25 loans, as well as quarterly workshops for prospective homebuyers.

Staff has received several inquiries as to what the City of Hayward is doing to help alleviate the current housing foreclosure crisis. This Program is one of the tools that the City has to help, in making First Time Homebuyer loans available for purchasing bank-owned or short-sale properties; and it is likely that such properties will be purchased under the Program in the upcoming year. In addition, Program participants are carefully qualified and the default rate on Program loans remains extremely low, thus helping to prevent foreclosures in the first-time homebuyer population.

Finally, this Program is an important tool for the City to use in achieving its goal of a 70% homeownership rate, which is a current Housing Element policy,

FISCAL IMPACT

Paying for homebuyer services is an eligible expense to be paid with Low-Mod funds, and \$75,000 for such services is allocated in the FY 09 budget. Additionally, the increase in sales of homes in Hayward may translate into an increase in City revenues from property and real property transfer taxes. Finally, the proposed contract would free existing staff up to attend to job duties that can not be contracted out.

PUBLIC CONTACT

No formal public contact is required by this action. Staff responds to several inquiries per week for assistance under this Program, as well as ongoing interaction with the mortgage finance community, the Bay East Association of Realtors, and developers regarding his Program and related matters.

NEXT STEPS

Upon authorization from the Agency Board, the Executive Director will enter into a professional services agreement with BAHBA. As previously noted, one of the services contracted out to BAHBA will be the development of a new policies and procedures manual for the first-time

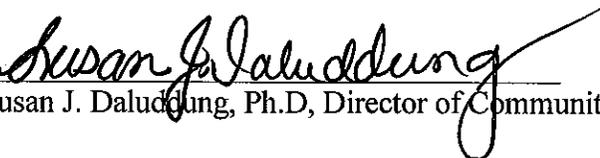
homebuyer program. Therefore, if necessary, staff will likely come back to the Agency Board to request approval of new guidelines and underwriting criteria for the program, which may include an increase in the amount of the down payment assistance loans.

Staff also proposes to prepare a report for an upcoming Work Session to be held in October regarding the foreclosure issue, as well as an update regarding recent affordable housing proposals.

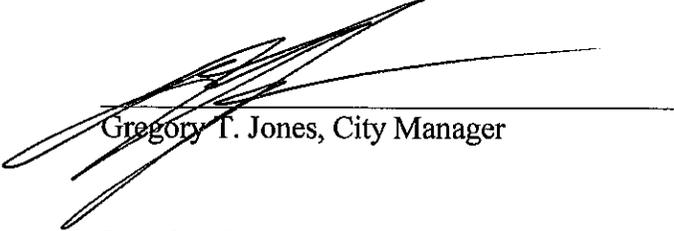
Prepared by:


Maret Bartlett, Redevelopment Director

Recommended by:


Susan J. Daluddung, Ph.D, Director of Community and Economic Development

Approved by:


Gregory T. Jones, City Manager

Resolutions

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA 08-

mte

Introduced by Agency Member _____

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH BAY AREA HOMEBUYER AGENCY TO PROVIDE CONSULTING SERVICES RELATED TO THE AGENCY'S AFFORDABLE HOUSING PROGRAMS

BE IT RESOLVED by the Agency Board of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute an agreement with Bay Area Homebuyer Agency to provide consulting services related to the Agency's First-Time Homebuyer Program and Below-Market Rate Program, in an amount not to exceed \$75,000, in a form to be approved by the City Attorney.

HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
 CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel