

**DATE:** April 27, 2010

**TO:** Redevelopment Agency Board Members

**FROM:** Redevelopment Director

**SUBJECT:** Authorization for Executive Director to Negotiate and Execute a Professional Services Agreement with the Bay Area Homebuyer Agency in an Amount not to Exceed \$80,000 and Supplemental Appropriation of \$200,000 for the First-Time Homebuyer Program

### **RECOMMENDATION**

That the Agency Board adopts the attached resolutions authorizing:

- The Executive Director to negotiate and execute a Professional Services Agreement with Bay Area Homebuyer Agency to provide first time homebuyer services in an amount not to exceed \$80,000; and
- The appropriation of \$200,000 from the current balance of Fund 453, the First-Time Homebuyer (FTHB) Program Revolving Loan Fund, to provide down payment assistance loans to eligible program participants.

### **BACKGROUND**

In consideration of the resurgence in demand for the FTHB program and the limited staff time to administer such a demanding program, at the beginning of 2008 staff solicited proposals to hire a specialized provider of homebuyer services. Two proposals were received. The organization selected was the Bay Area Home Buyer Agency (BAHBA) because of their competitive fees, their local presence - they provide services to nearby San Leandro and Alameda - and their flexible service model, which allows jurisdictions to "pick and choose" the services they need. Thus, per staff recommendation, on July 29, 2008 the Agency Board authorized the Executive Director to enter into a contract with BAHBA to provide homebuyer services on behalf of the Agency.

Subsequently, staff worked with BAHBA to develop recommended modifications to the program which were presented to the Agency Board at a work session held on February 17, 2009. The Agency Board gave direction to proceed with these changes, which can be summarized as follows:

1. Setting a fixed 3.5% interest rate as opposed to being tied to the 11<sup>th</sup> District Cost of Funds Index.
2. Increasing the loan amount by offering loans up to \$40,000 to qualified low-income homebuyers and up to \$30,000 to moderate-income homebuyers.
3. Allowing a 5-year loan-payment deferral period.

The benefits of working with an organization such as BAHBA are now evident. Interest in the FTHB program from lenders and real estate professionals has increased, all funds are being spent, and the program is operating more efficiently.

## DISCUSSION

Additional Appropriation of Funds for FY 2009 – Staff has seen a significant increase in loan requests and, as of the date of the report, almost all of the \$500,000 budgeted for program loans for the current fiscal year has been expended. It appears that the increase in program activity is largely due to a decrease in local median home prices as well as the result of more attractive FTHB program loan terms and the marketing efforts of BAHBA.

The funding allocated for the FTHB program for FY 2010 has been used to provide fifteen loans, including twelve loans at \$30,000 and three at \$40,000. Borrowers include individuals employed in diverse industries such as education, retail, financial services, technology, medical, and construction, among others. One third of the participants were already living in Hayward, while almost half the participants moved to Hayward from surrounding Alameda County jurisdictions such as Fremont, Union City, and Castro Valley. A few participants moved from the Peninsula and San Jose to significantly decrease their work place commutes to Hayward. The household incomes of participants ranged from \$32,000 to over \$90,000. Most of the participants qualified as moderate-income households – households earning between 81% and 120% of the Area Median Income (AMI), but a few of them qualified as low-income households (earning less than 80% of AMI). The prices of homes that these participants purchased started at \$140,000 for a condominium to almost \$400,000 for a single-family detached home.

It is expected that the \$200,000 requested will be used to provide six or seven new loans. BAHBA has already pre-qualified this number of buyers, and if some of these purchases fall through, the assistance would be made available to other eligible buyers.

New Professional Services Contract with BAHBA – In addition to helping the City screen and pre-qualify interested buyers in order to determine their program eligibility, BAHBA also helps the City carry out the following activities:

- Underwrite the loans to ensure compliance with Program guidelines and to ensure that buyers obtain other financing available to income-eligible, first-time homebuyers
- 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

- Process refinance requests of first mortgage loans from program participants
- Process re-sales of resale-restricted Below Market Rate (BMR) homes, and screen and qualify prospective buyers of such homes.

With authorization from the Agency Board, the Agency entered into a contract with BAHBA in September of 2008 to provide the above services. The contract has now expired and the funds authorized under the contract to pay for BAHBA's services have been expended. In light of the increase in demand for loans, and the local economic benefits of the program which are described below, staff is recommending the Board to authorize the Executive Director to enter into a new contract with BAHBA. The proposed contract amount is \$80,000.

## **ECONOMIC IMPACT**

Economic benefits resulting from the FTHB program include the following:

- An increase in home sales throughout the City will contribute to the local economic recovery by attracting more consumers of goods and services to the City and by increasing the local transfer and property tax base.
- The program helps market-rate developers sell the BMR homes required by the Inclusionary Housing Ordinance by making the financing more affordable to eligible low and moderate-income homebuyers – BAHBA currently has six loan applications in connection with purchase of BMR homes at the Standard Pacific Homes' Crossings at Eden Shores development. In addition, three of the eight buyers of the BMR townhomes at Garden Walk, by The Olson Company, received down payment loans.
- This program is available to buyers of foreclosed properties, and is helpful in the effort to reduce the number of vacant foreclosed homes.
- FTHB program loans will also be available to income-eligible residents within the 238 Corridor who elect participate in the Opportunity to Purchase Home Program (OPHP). Funds for OPHP loans have been set aside under a different budget line item but loan applications may be processed by BAHBA as well. In that case, staff may come back to the Board to request additional appropriation of funds to increase the amount of the contract with BAHBA.

Finally, this program is a primary implementation strategy for achieving the City's policy, and Housing Element goal, of increasing the rate of homeownership in Hayward.

## **FISCAL IMPACT**

The FTHB program is funded with a combination of funds transferred from the Redevelopment Agency Low/Mod Housing Fund, (Fund 452), and revenues received from repayment of the FTHB loans themselves. The proposed appropriation of \$200,000 would be from the existing fund balance in Fund 453, the FTHB Revolving Loan Fund which, as of the date of this report, totals approximately \$276,788.

It is anticipated that the demand for these loans during FY 2011 will be at least the same as in the current year. As a result, staff anticipates requesting budget funds for approximately 20 loans for the upcoming fiscal year.

The \$80,000 funding requested to renew the contract with BAHBA was included in the FY 2011 budget proposal. Therefore, further appropriation of funds is not necessary at this time.

### **PUBLIC CONTACT**

As previously noted, the Agency Board reviewed the parameters of the FTHB loan program in February 2009, and funds were appropriated for this ongoing program as part of the FY 2010 budget approval process. The use of revolving funds to provide loans to qualified first-time homebuyers is an eligible use of funds and, therefore, there is no need for public contact for the appropriation of moneys from the current Fund 453 fund balance.

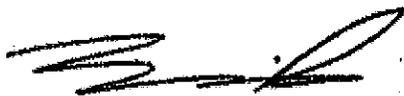
### **NEXT STEPS**

Upon Board approval of the attached resolution, the Acting Executive Director will enter into a new Contract with BAHBA and staff will continue to work with BAHBA to provide loans to income-eligible first-time homebuyers.

*Prepared by:* Omar Cortez, Housing Development Specialist

*Recommended by:* Maret Bartlett, Redevelopment Director

Approved by:



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Fran David, Acting Executive Director

Attachments:

Draft Resolutions

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA \_\_\_\_\_

RESOLUTION AUTHORIZING THE APPROPRIATION OF FUNDS FROM FUND 453, THE REDEVELOPMENT AGENCY FIRST-TIME HOMEBUYER PROGRAM REVOLVING LOAN FUND, FOR THE FIRST TIME HOMEBUYER PROGRAM

BE IT RESOLVED by the Agency Board of the Redevelopment Agency of the City of Hayward that Resolution No. RA 09-16, as amended, the Budget Resolution for fiscal year 2010, hereby further amended by approving an appropriation of \$200,000 from Fund 453, the First-Time Homebuyer Program Revolving Loan Fund, to provide down payment assistance loans to eligible First-Time Homebuyer Down Payment Assistance Program participants.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2010

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:

MAYOR:

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

**DRAFT**

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA \_\_\_\_\_

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 Redevelopment Agency 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 other affordable homeownership programs, in an amount not to exceed \$80,000, in a form to be approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2010

ADOPTED BY THE FOLLOWING VOTE:

AYES:                    AGENCY MEMBERS:

MAYOR:

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