



WS 2

DATE: February 17, 2009

TO: Mayor and City Council
Redevelopment Agency Board Members

FROM: Redevelopment Director

SUBJECT: Strategies to Address Foreclosures, New First-Time Homebuyer Down Payment Assistance Program Guidelines, and Proposed Affordable Housing Developments

RECOMMENDATION

That Council and Board members comment on this report.

SUMMARY

The purpose of this report is to seek input regarding a set of proposed activities to respond to the local home foreclosure crisis and downturn in the for-sale housing market. Staff also seeks input regarding the City Council's priorities for assisting several proposed new or rehabilitated affordable housing developments. State and federal funding may be available for some of these activities, such as Proposition 1C funds for the proposed South Hayward BART development, and Neighborhood Stabilization Program (NSP) funds for acquiring foreclosed properties; therefore, it is timely to consider the proposed activities in the context of other possible uses of the City's affordable housing resources. In developing the following list of activities and projects, staff considered the following: 1) housing goals, outlined in the City's existing Housing Element, as well as the Housing Element Update, currently underway; 2) other City policies, plans and priorities, such as the City Council's budget priorities, planning goals for transit-oriented development at the South Hayward BART Station, and the resolution of Route 238 replacement housing issues; and 3) the requirements and limitations imposed on the use of affordable housing funds, including State and federal grant funds.

BACKGROUND

Most jurisdictions in California, including Hayward, have been affected by the housing and mortgage crisis. During the beginning of the housing slow down, when the main source of foreclosures was the large pool of outstanding sub-prime mortgages, foreclosures in Hayward were relatively slow. In recent months, the housing slump has affected several other areas of the economy and foreclosures are now ascribed to declining home values, continued job losses,

problems in the financial markets, and fiscal problems at the local, State, and national levels. All of these factors have had a negative impact on Hayward's housing market and the increase in the number of foreclosed vacant properties has become evident in some areas of the City. Per DataQuick Information Systems data published in a San Francisco Chronicle news article on July 23, 2008, zip code 94544 in Hayward was number ten (10) in the list of the Bay Area zip codes with the highest incidence of foreclosures. No Hayward zip code made it in a similar list a year before.

A research study released at the end of August, 2008, by the Low Initiatives Support Corporation (LISC) estimated that there were almost 1,400 foreclosed homes in Hayward, including over 500 Real Estate Owned Properties (REOs) and 870 foreclosures. According to LISC's study, Hayward was one of the Alameda County jurisdictions with the largest number of foreclosures, sub-prime loans, and delinquencies – behind Oakland and Unincorporated Alameda County; and, among all the jurisdictions in Alameda County, Hayward had the highest ratio of the above three indicators to the total number of outstanding mortgage loans. More recent foreclosure data indicate that this trend has continued. The increase in unemployment due to the downturn of the economy might lead to additional foreclosures and a prolonged deterioration of the housing market at the local levels. For this reason, staff has evaluated the strategies and financing available to prevent and address the local effects of foreclosures.

One of the effects of the downturn in the housing market has been the relative availability of underutilized or vacant sites zoned for housing. Staff has seen an increase in inquiries from affordable housing developers – who usually find it hard to compete with market-rate developers for available land – about the City's support of housing development proposals. A description of some proposals put forth by developers is provided later on in this report.

DISCUSSION

I. Foreclosures

A multi-strategy approach is needed to deal effectively with the foreclosure crisis. As a result, staff is proposing to strengthen programs and activities in the areas of foreclosure prevention counseling, first-time homebuyer assistance, and acquisition and rehabilitation of foreclosed vacant properties.

A. Foreclosure Prevention and Counseling

Direct intervention at the earlier stages of the foreclosure process, i.e. through a refinance or loan restructuring program, is costly. The implementation of programs of this nature is also limited by the income eligibility restrictions imposed by the funding source. In other words, households benefitting from a program using affordable housing moneys must be income-qualified (low or moderate-income).

According to industry experts, the sooner homeowners contact their lenders when they begin to experience delinquency issues, the more options will be open to them short of losing their home. In line with this finding, jurisdictions have implemented several foreclosure prevention

activities. The following are the activities Hayward staff may implement in the short term with available staff and funding:

1. Use of City's Website

Staff has posted information about foreclosure prevention resources in the housing programs section of the City's website, with a link on the homepage. This section of the website includes information about the programs available for refinancing at-risk loans, and the contact information of legal services agencies and the federal Department of Housing and Urban Development (HUD)-approved counseling organizations in the area.

2. Increase funding to ECHO Housing through the City's CDBG Program to increase foreclosure prevention services to the existing services it provides to Hayward residents

Eden Council for Hope and Opportunity (ECHO) is currently the only HUD-approved housing counseling organization in the area with limited services provided by a single counselor based in Livermore. ECHO currently receives Community Development Block Grant (CDBG) funds to conduct a rental assistance program and fair housing activities in Hayward. Staff is proposing to increase funding to ECHO from \$66,500 in the current year to approximately \$100,000 for a one-year period program beginning July 1, 2009. ECHO will not only provide counseling to distressed homeowners, but will also help them contact their lenders to find an alternative to foreclosure.

Counseling is an eligible activity under CDBG program regulations. Unfortunately, unless current regulations are changed by the State and/or federal governments, HOME Investment Partnerships (HOME) and Neighborhood Stabilization Program (NSP/CDBG) funds from the 2008 Housing and Economic Recovery Act (HER Act) may not be used for foreclosure prevention.

3. Assistance to Residents receiving a default notice

In order to assist Hayward at-risk homeowners, staff will work with a title company to obtain lists of residential properties that have recorded Notices of Default (NOD's). Then staff would mail to those properties relevant information about resources available for homeowners facing the loss of their home. Also included in the letters mailed to residents would be the contact information of the largest mortgage lenders and the HUD-approved counseling organizations in the area such as ECHO and Operation HOPE (HOPE). Information on NOD's recorded against residential properties are public record. Therefore, staff can get up-to-date information and conduct the mailings on a monthly basis.

HOPE, a community-based, non-profit area organization that provides a full array of services to low-income communities, has offered to support staff with the efforts to inform at-risk local residents about the availability of local foreclosure prevention resources.

Therefore, the availability of foreclosure prevention workshops, a mortgage crisis hotline,

and other homeownership bilingual (English-Spanish) services offered by HOPE will be included in the letters mailed to Hayward residents.

B. Restructuring the First Time Homebuyer Downpayment Assistance Program

On July 29, 2008, the Agency Board authorized the Executive Director to enter into a contract with the Bay Area Homebuyer Agency (BAHBA) to provide homebuyer services on behalf of the City. Taking into account the Hayward housing market data, including data on home sales during a 12-month period and the housing inventory for sale on September 15, 2008, staff and BAHBA analyzed different funding scenarios to improve the City's First Time Homebuyer Downpayment Assistance (FTHB) Program, given current market conditions. The analysis looked at various household sizes and levels of income, as well as a range of possible subsidy amounts and other features. Due to the increased level of foreclosures and the softening of housing prices, it became evident that there is currently a unique opportunity – probably of limited duration – to assist creditworthy households at lower incomes to become homeowners.

As a result of the analysis, the major changes proposed are:

1. Setting a fixed 3.5% interest rate. Currently, the rate, which is tied to the 11th District Cost of Funds Index (COFI), is 2.757%. The COFI rate, which varies constantly, may be close or much lower than market interest rates, and staff needs to update it on weekly basis. Therefore, staff recommends setting the interest rate to 3.5%, which is 1.5% to 2% lower than current mortgage rates.¹
2. An increase in the loan amount.
3. A 5-year loan-payment deferral period.

Attachment II has a brief summary of the recommended changes to the FTHB. Other program guidelines might be revised. As done previously, the changes will be made in view of the laws regulating the use of low-mod funds and the underwriting guidelines of major mortgage companies for public lenders.

The recommended structure will yield the following benefits:

- Increase the protection of the Agency's investment in loans provided to both moderate and lower-income families by requiring the FTHB loan to be layered with financing available to BAHBA (such as Workforce Initiative Subsidy for Homeownership (WISH) funds from the Federal Home Loan Bank of San Francisco) which may be subordinate to the City loan.
- Increase equity buildup for borrowers due to a proposed layered funding and the 5-year loan-deferral period which eliminates the need of mortgage insurance. Private Mortgage Insurance (PMI) is required when the homebuyers' down payment is less than 20% of the home purchase price. This requirement is waived if borrowers obtain deferred

¹ 3.0% to 3.5% is also a typical interest rate charged on loans provided by public lenders using affordable housing moneys.

subordinate financing, freeing up more of the homeowners income which may then be spent on the first mortgage loan, therefore allowing them to accrue equity on the home faster.

- Expand affordability and purchase options for households of all income levels due to the increase in the loan amounts, the deferral period and forgiveness of mortgage insurance. See paragraph below.
- Decrease probability of default for the borrower. On December 6, the City reinitiated the first-time homebuyer seminars for area residents and workers with the assistance of BAHBA, who also partners with non-profit organizations to provide credit and budgeting counseling to prospective Hayward buyers. These services, along with the easing of the repayment terms, will enhance the affordability of the homes and further decrease the program's rate of default, which is currently close to 0% (zero percent).

Another expected benefit of the proposed changes will be an increase in sales of homes available in Hayward (including foreclosed and bank-owned properties) due to the expanded purchase options for low-income households (those earning 80% of Area Median Income (AMI) or less).² It is estimated that with the improved program, low-income households could afford homes selling for up to \$315,000 – as opposed to \$285,000 under the current program. According to the market inventory analysis, as of September 15 there were 232 three-bedroom homes priced at \$315,000 or less.

If the City Council wishes to extend the FTHB program to lower-income households at this time, then an increase in the loan amount, and approving a loan payment deferral would be appropriate (points 2 and 3 above). Particularly, a five-year deferral on repayment is a feature meant to benefit buyers at all income levels and is recommended in any case. If approved by the City Council/Agency Board, staff and BAHBA will incorporate the new FTHB program guidelines in a Program Policies and Procedures Manual.

C. Purchase, Rehabilitation, and Sale of Foreclosed Properties

Based on staff analysis of the current housing market, the housing need in Hayward and the future of housing financing, staff is making the following recommendations:

- To implement a program to acquire and rehabilitate foreclosed homes utilizing approximately \$1.5 million of Low-Mod funds, and to target the program to moderate-

² The upper annual income limit in Alameda County for a three-person low-income household is \$62,000. Based on May 2007 Bureau of Labor Statistics wage data, most occupational groups in this area include jobs that pay wages under \$62,000 annually. In fact, all occupations in the community and social services, office and administrative support, healthcare support occupational groups pay annual wages under \$62,000. Attachment III is a list of all occupations in the area paying wages between \$38,750 and \$62,000 – the 2008 lower and upper income limits for a 3-person household in Alameda County to be considered low-income.

income households. This program may include a share-appreciation formula upon resale of the homes assisted with Low-Mod funds.

- To utilize approximately \$1.5 million in NSP funds for an acquisition and rehabilitation program, and to target very low and low-income households. NSP funds will trigger resale restrictions on the assisted homes.
- Increase staff capacity through direct hiring, contractors, and/or consultants to perform the rehabilitation, and, if necessary, the marketing and sale of the homes.
- Target foreclosed, vacant homes that represent a community preservation challenge in areas of greatest need – those neighborhoods with a high incidence of abandoned foreclosed homes.
- To sell the rehabbed homes to income-eligible households at an affordable price or the actual cost to acquire and rehabilitate the homes, whichever is lower. FTHB education, Program funds, and other available financing for low and moderate-income households will be offered to qualified buyers.

Funding. There are two primary sources of funding available to acquire and renovate foreclosed properties: NSP Funds from the 2008 NSP-HER Act, and Redevelopment Agency Low and Moderate Income Housing (Low-Mod) funds. In the original September 26, 2008 funding news release from HUD, only two jurisdictions in Alameda County received an allocation of NSP funds. On November 14, The State Department of Housing and Community Development (HCD) published an amendment to its CDBG Action Plan and Hayward was among the jurisdictions that received an initial direct allocation from the State of \$1,082,318.

Per HUD's request, the State recently revised its first submittal of the Amended Action Plan. On Monday, February 2, the State announced changes to its initial allocation methodology. As a result, Hayward received approximately \$.5 million more for a total of \$1, 554,489. It is estimated that the State will release a Notice of Funding Availability (NOFA) so jurisdictions may apply for the funds they were allocated. There will be a tight deadline (six weeks maximum) to submit this application. Therefore, based on this timeline, the NSP application will likely be due before the end of March. The funds will have to be encumbered within 18 months.

If NSP funds were used, the City would have to record affordability restrictions on the properties to ensure that the homes remain affordable for the longest feasible time – or a minimum of 15 years – to households at 120% of AMI or below. Another HUD/NSP regulation requires that at least twenty five (25%) of the NSP funds must benefit very low-income households (those earning 50% of AMI or less). If the City receives an allocation of NSP funds, it is recommended that NSP funds be targeted to low and very low-income buyers in order to ensure that HUD/NSP requirements are met.

The other primary source of funds available for an acquisition and rehabilitation of foreclosed homes program would be Redevelopment Agency Low and Moderate-Income Housing (Low-Mod) funds. Currently, there is a balance of approximately \$9.84 million of these funds. However, it is important to note that Low-Mod funds are the main source of funding for affordable housing in Hayward, and, as discussed below, there are several potential affordable

housing developments that would advance the City's goals along other fronts. As a result, staff recommends a limited commitment of \$1.5 million in Low-Mod funds towards an acquisition and rehabilitation of foreclosed homes.

If Low-Mod funds are used, the Agency must sell the assisted units to households that meet the State low to moderate-income guidelines. In that event, the Agency's Low-Mod funds could be used to serve moderate income buyers anywhere in the City where foreclosed homes are impacting neighborhoods. If a "shared appreciation" formula is applied to the re-sale of such homes, then the Agency will comply with the funding requirement to impose long-term resale restrictions on these homes.

While other Agency funds (80% funds) could be used for an acquisition-rehab program, those funds are needed for ongoing and proposed redevelopment activities, as outlined earlier this year in the Mid-term Review of the Agency's Five-Year Implementation Plan. CDBG and HOME funds could also be used for this purpose; however, these funds are limited and similarly committed to other programs.

Program Components and Considerations. Programs to acquire and rehabilitate foreclosed homes have not been widely implemented, perhaps due in part to the relatively large amount of funding necessary to create an effective program. The program requires funds to purchase the homes and additional moneys to rehabilitate them³. In order to target at least 3% of the 870 foreclosed homes Hayward, it is estimated that the City/Agency would need to spend approximately \$6.5 million for acquisition only. This assumes 26 homes acquired at \$250,000 each. This purchase price is based on a ten percent (10%) discount for homes at the lower end of the price range of most of the homes being sold in Hayward at end of August, 2008. The City of Lancaster has spent an average of \$60,000 in rehabilitation costs per each assisted home. If the City spent \$60,000 to rehabilitate each of the 26 homes, the total program cost could total over \$8 million. If the City were to undertake a reduced number of acquisitions – say 8 to 10 units at a time – then as those units sold, funding could be returned to the program to undertake an additional round of acquisition, rehabilitation and resale.

One of the policy goals of the State in sponsoring the NSP program is to target resources to neighborhoods that are destabilized or considered "at risk" due to foreclosed abandoned properties. Therefore, in order to qualify for NSP funding, the City would need to target its neighborhoods of greatest need. Currently, foreclosure information is provided based on census tracts and zip codes. As mentioned previously, zip code 94544 is an area with a high number of foreclosed homes. A large percentage of those homes are in the Harder-Tennyson neighborhood, the area bounded by Harder Rd. to the north, Tennyson Rd. to the south, Huntwood Avenue to the east, and Highway 880 to the west. Low-Mod funds can be used

³ The City of Lancaster, for example, has spent over \$6.3 million of low-mod funds to acquire and rehabilitate about 71 units, which represents approximately 3.54% of the over 2000 foreclosed homes in Lancaster as of August, 2008. The city acquired the homes at an average of \$90,000 per home, and spent approximately \$60,000 in additional rehabilitation costs.

anywhere in the City for such a purpose, as long as the benefitted buyers meet the definition of Low-to-Moderate Income.

Current capacity of staff to plan, implement, and manage additional housing components as described herein will have to be increased either through expanding housing staff, or by hiring contractors or consultants. Another possibility is to partner with Eden Housing, Inc. (Eden), Habitat for Humanity East Bay (Habitat), BAHBA and/or other organizations to effectively manage the acquisition, rehabilitation, marketing, sales, and, if necessary, the monitoring of the homes.

In addition to being a developer, Habitat has financing available for low-income homebuyers and has a marketing and real estate arm. Habitat has also a sweat-equity and a post-purchase counseling and supportive services program, which help reduce the likelihood of foreclosure from buyers. In working with other jurisdictions to implement an acquisition-rehab program, Habitat is considering negotiating the purchase of homes in bulk from a mortgage lender. If an organization such as Eden were hired, the City would need to amend the contract with BAHBA to allow for additional marketing and real estate services required for the program. Habitat, BAHBA, and Eden have expressed an interest in partnering with the City to implement an acquisition-rehab of foreclosed homes program.

II. Affordable Housing Proposals

Affordability is at the center of housing crisis. Many of the foreclosed properties, including single-family homes and multifamily buildings, were occupied by renters. These families, who have now been evicted, along with those who have lost their homes, are looking for a place to live. As a result, there has been a sharp increase in rents in the area while vacancy rates have remained stable and very low. Compared to a year ago, average second quarter rents in Alameda County were 5.4% higher. The current overall vacancy rate in Eden affordable apartment complexes is only 1.3%.

Staff has seen an increase in inquiries from affordable housing developers regarding the City's support of housing development proposals. Staff sees this as an opportunity to spend available moneys on the creation of affordable housing units that best further the City's Housing Element and Redevelopment Implementation Plan goals, as well as to assist in revitalizing Hayward neighborhoods, while helping mitigate the affordability crisis in the area. The following are the specific affordable housing proposals staff would like Council to consider:

- Transit-Oriented, Affordable Rental Apartments Adjacent to the South of Hayward BART Station. Wittek Development, LLC and Montana Properties, Inc., a joint venture partnership, proposes to redevelop the South Hayward BART parking areas with a mixed-use retail, condominium and apartment development encompassing approximately 64,700 square feet of retail and approximately 770 market-rate housing units. In order to comply with the City's Inclusionary Housing Ordinance and Agency's overall affordable housing production requirement, Wittek and Montana have proposed to partner with Eden to develop

125 rental apartments affordable to low-income families and 81 affordable housing units for seniors.

Preliminary design plans for the affordable housing component of the development show the affordable apartments in a mixed-used building located at the northeast corner of the main BART parking lot, at the intersection of Tennyson and Dixon. The plans also show the housing on three to four floors atop a proposed Safeway store and two levels of parking for Safeway shoppers. It is envisioned that the open space for the low-income families will be provided in a podium level courtyard in the mixed-used building. Parking for residents will be provided in a separate parking structure.

Wittek and Montana propose to build the mixed-used building and the affordable housing first, in order to position the entire development to compete for approximately \$47 million in Proposition 1C (Prop 1C) funds targeted to transit-oriented and infill housing developments. Prop 1C funding would pay for a replacement BART parking structure, an improved AC Transit bus docking facility, and other infrastructure improvements needed for the entire development, including a transit hub and pedestrian-friendly paths between transit and the residential and retail structures.

To ensure competitiveness of the proposal for funding from State programs, approximately 30% of the affordable units are proposed to be 3 bedrooms. The precise unit mix and affordability levels will be determined based on market and financial feasibility studies and on what is needed to make the development competitive for financing. However, Eden anticipates that rents will range between 30% and 60% of AMI and estimates that it will require at least \$5 million in Low-Mod funds, to cover the local gap financing and match the primary source of financing, which has not been determined yet. In addition, the developers will be requesting a commitment of approximately \$10 million in Agency bond funding to assist with the construction of a BART replacement parking structure and other on-site infrastructure.

- Acquisition and Rehabilitation of Tennyson Gardens Apartments by Eden. Tennyson Gardens is a 96-unit affordable rental complex located at 981 W. Tennyson Road (at Tyrrell and Creek) that was acquired in 2001 by Preservation Partners utilizing tax credits, bonds and other financing, including a HOME loan from the City. Due to present and anticipated costs overruns, Preservation Partners is now selling its interest in the property.

Eden Housing has expressed an interest in buying Tennyson Gardens, and has conducted an inspection of the property which indicates that the property has immediate rehabilitation needs including dry rot repairs, security upgrades, and repairs to walkways, carports, and elevators. According to its financial projections, Eden estimates that the annual per unit funding to cover turnover costs (of \$28,800 currently) is inadequate, and that the asking price for the property is not supported by its financial proformas.

Eden considers that assistance from the City to acquire and upgrade the property is necessary to ensure the property's long-term affordability and viability. With the proposed

exterior and security upgrades and enhanced management practices, Eden believes it could improve the property's operating performance. Eden estimates the total City funding required for this proposal at \$2.5 million: \$750,000 in immediate rehabilitation costs, and \$1.75 million to pay for operating reserves and unit improvements for the first five years of operations.

- Senior Housing Development Proposed by Satellite Housing. Satellite is currently under a purchase contract to acquire a currently vacant, 1.7 acre, infill flat site located at 25906 Gading Road in the Harder-Tennyson Neighborhood to build 34-38 affordable rental apartments for seniors.

Satellite proposes to develop the site with funding from the HUD Section 202 program, tax exempt bond financing (bonds), State of California low-income housing tax credit equity (tax credits), Affordable Housing Program (AHP) funding from the Federal Home Loan Bank of San Francisco, and leverage funding from the City of Hayward estimated at \$2 to \$3 million. HUD Section 202 provides an operating subsidy for the development so the rents are only 30% of the senior residents' income. Due to this, the project could serve extremely low-income seniors (those earning 30% of Area Median Income or less).

Satellite is a non-profit affordable housing developer who has its own property management affiliate and places heavy emphasis on supportive services for seniors, particularly ESL and transportation/ van services (Satellite administers the paratransit system for the City of Newark). Satellite also partners with Van Meter Williams Pollack, an architectural firm that specializes in green building, so the proposal will be a service-enriched community and will include numerous sustainable/green building features. Satellite plans to partner with the Afghan Elderly Association to develop a community with the special design accommodations and services that Satellite provides at all of its senior properties. Culturally-specific services to benefit Afghan elders will be part of the proposal as well.

Satellite may also consider developing affordable housing for people with physical disabilities on this site instead. However, the developer estimates that this would increase the local gap contribution to close to \$4 million due to the unavailability of federal funds for a development for people with disabilities with over 15 units.

- Affordable Homes Proposed by Habitat for Humanity East Bay (Habitat). Habitat is considering acquiring a site located on Olympic Avenue near Industrial Parkway Southwest to develop duet-style homes affordable to low-income families. Habitat estimates being able to build 25-28 homes on the 2.21 acres site. Alternatively, the Agency Board will soon be scheduled to consider the purchase of a .73-acre, City-owned surplus property, located at A and Walnut Streets. The proposed purchase price is \$620,000, and would be paid for by Low/Mod funds. This site could hold approximately 8 housing units, and may also be suitable for Habitat's needs.

As mentioned earlier in this report, Habitat has a sweat-equity program and considers homeowners partners in the building process. As such, buyers must contribute 500 hours of

sweat equity by either working at the construction sites, attending workshops, or volunteering in the community. Also, as a faith-based organization, Habitat makes sure to build homes in areas where there is a community or faith-based organization so families may have access to a support network. In addition, Habitat provides primary financing to families which furthers the affordability of the homes. This, along with the sweat-equity and post-purchase counseling programs, reduces the likelihood of foreclosure from homebuyers.

Habitat may partner with Salazar Architects Studio, an acclaimed architectural firm that specializes in community design and affordable housing, to build two- and three-bedroom homes ranging from 900 to 1,200 square feet. Habitat would build three accessible and adaptable homes, including one home for a visually-impaired household or individual. Universal design features would be incorporated in the rest of the homes to give buyers the opportunity to age in place. To further enhance affordability for buyers, Habitat proposes to build a green development that includes photovoltaic cells in order to meet the standards of a Silver LEED designation.

To finance construction of the homes and the buyers' primary mortgages, Habitat proposes to finance the development with fundraised moneys, a conventional predevelopment loan, and State AHP, CalHOME, BEGIN, and CHSHTAA program funds. Habitat will also require a local contribution to pay for the value of the land. Habitat does not anticipate additional local gap contribution.

- B & Grand – Hayward Senior Housing Phase II. Citation Homes (Citation) has proposed to comply with its IHO requirement to set aside 9% of the Cannery Place development units for moderate-income households by facilitating the construction of off-site affordable units. To that end, Citation proposed to reproduce the model used for Hayward Senior Housing Phase I and dedicate a parcel of land located at the corner of B & Grand and provide a cash subsidy in the amount of \$1,017,600 to facilitate the construction of 25 units of housing affordable to very low-income seniors. Citation's proposal was described in a report to Council on September 23, 2008.

Eden anticipates financing the new 25-unit senior housing with low-income housing tax credits, the major source of financing used for Phase I. Eden might also apply for AHP funding and does not anticipate any City or Agency gap financing in addition to the cash subsidy from Citation. Pursuant to the Citation proposal, if the amount of local gap financing needed for the new senior housing is lower than the \$1,017,600 subsidy provided by Citation, the City will retain the difference, deposit such funds in an Affordable Housing Trust Fund, and use them to develop affordable housing units.

Eden is the largest affordable housing developer in Hayward. Eden has its own property management affiliate and makes every effort to provide supportive services for the residents of its communities. Eden plans to assemble an outstanding development team to build a well-designed, sustainable senior development. This could include the architect and contractor hired for Sara Conner Court, an award-winning, green affordable development.

Summary of Proposed Programs and Affordable Housing Proposals. Priorities.

The housing programs and affordable housing development proposals discussed in this report are presented in Table A in suggested priority groups and ordered by staff based on the ability to:

- a. Further City Council priorities or other planning and neighborhood revitalization goals including transit-oriented development at South Hayward BART Station, Senior Housing developments, and blight elimination through the use of RDA funds (acquisition of abandoned/foreclosed homes).
- b. Further the Housing Element and Redevelopment Implementation Plan policies and goals.
- c. Leverage other federal or State funding that would enhance the project’s feasibility.
- d. Increase the housing options for persons with special needs like seniors, large families, or people with disabilities.
- e. Spread affordable developments throughout the different neighborhoods with an emphasis on locations accessible to transit (see Attachment IV).

Table I: Possible Affordable Housing Programs and Development Proposals

Priority	Program or Proposal	Goals
Primary	Acquisition, Rehabilitation and Resale of Foreclosed Homes	Addresses issues associated with foreclosed, abandoned homes and prevents neighborhood destabilization
	Fund a foreclosure counselor to serve at risk Hayward homeowners	Prevents foreclosures by providing counseling to distressed homeowners
	Redesign the First-Time Homebuyer Downpayment Assistance Program and Increase the loan amount	Supports an increase in the sales of homes available in Hayward due to the expanded homeownership options for households of all income levels - a Housing Element policy.
	Transit-Oriented, Affordable Rental Apartments Adjacent to the South of Hayward BART Station.	This affordable development is essential to render the entire compete for up to \$30 million of State Prop 1C funds and furthers a, b, c, and d goals above.
	B & Grand – Hayward Senior Housing Phase II.	Will complement the adjacent senior housing complex and promote transit oriented development. Citation Homes will provide cash and donate the land for the project. No additional local gap financing is anticipated, however, Eden will require City staff assistance in securing additional State and/or federal This proposal furthers goals a, c, and d.
Secondary	Affordable Homes – Habitat	Promotes the Housing Element policy goal to encourage the development of ownership housing and assist tenants to become homeowners. It furthers goals a and d.

Priority	Program or Proposal	Goals
Secondary	Senior Housing Development – Satellite Housing	Will provide rental housing opportunities to seniors and will develop a currently vacant, infill site in need of redevelopment yet close to adequate amenities for seniors. This proposal furthers goals a, c, and d above.
	Acquisition and Rehab of Tennyson Gardens Apartments – Eden.	Preserves an existing affordable development by funding the upgrade of the property to ensure the property’s long-term affordability and viability, furthering goals a and c above.

FISCAL IMPACT

As noted previously, the current Low-Mod funds balance is approximately \$9.84 million. It is projected that at the end of FY 09, the funds will increase by approximately \$2 million. Based on the available funds staff recommends to support and fund the projects in the primary priority group with currently available funds and to issue an RFP for those in the secondary groups to compete for remaining or future Low-Mod or other funds for affordable housing. Table II summarizes and totals the estimated costs of the programs and projects described in this report according to the above priorities. Estimates are currently in “order of magnitude” local funding needs.

Table II: Estimated Low-Mod Funding Allocations (listed in priority order)

Priority	Program or Proposal	Estimated Funding Required (in millions)
Primary	Acquisition, Rehabilitation and Resale of Foreclosed Homes	\$1.5
	* Fund a foreclosure counselor to serve at-risk Hayward homeowners	[Up to \$0.05*]
	** Redesign the First-Time Homebuyer Downpayment Assistance Program and increase the loan amount	Up to \$0.5**
	Transit-Oriented, Affordable Rental Apartments Adjacent to the South of Hayward BART Station.	\$5
	B & Grand – Hayward Senior Housing Phase II.	-
Subtotal:		<u>Up to \$7.0</u>
Secondary	Affordable Homes – Habitat	\$0.6 - \$2.5
	Senior Housing Development – Satellite Housing	\$3.0
	Acquisition/Rehab of Tennyson Gardens Apartments – Eden.	\$2.5
Total:		\$13.1 to 15.0 million

* Not to be funded with Low-Mod funds. Proposed funding source is CDBG funds.

** To increase the current funding allocation of \$500,000 to allow for purchase of foreclosed homes and REOs as needed.

PUBLIC CONTACT

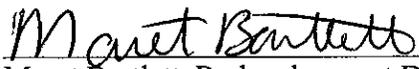
Any Agency Board, Council, Planning Commission, and other approvals of programs and affordable housing development proposals described in this report would require public notice. The appropriate public contact procedures will be followed when those approvals are requested.

NEXT STEPS

Depending on City Council/Agency Board interest and priorities, staff will:

- On January 9, 2009, ECHO submitted a CDBG funding application to provide foreclosure counseling services beginning July 1, 2009. Neighborhood and Services Department staff distributed the application to members of the Citizens Advisory Commission (CAC). CAC's CDBG funding recommendations for FY 09-10 will be finalized on March 18, 2009
- Mail information to at-risk Hayward residents (those who have received NODs) about foreclosure prevention resources available in the area
- Implement the proposed changes to the FTHB program and, as necessary, return to Council to request additional funding appropriation for the program
- Submit an application for the approximately \$1 million of NSP funds for an acquisition and rehabilitation of foreclosed homes program that would benefit low and very low-income households
- Return with an appropriation request of \$1.5 million in Low-Mod funds for an acquisition and rehabilitation of foreclosed homes program that would target moderate-income households
- As necessary, return with appropriation requests from currently available Low-Mod and other affordable housing funds to fund the programs and development proposals in the primary priority group of Table I
- Issue an RFP for the development proposals in the secondary group of Table I to compete for remaining or future Low-Mod funds.

Prepared by:

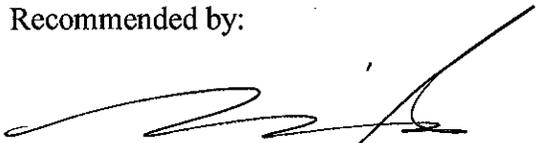

Maret Bartlett, Redevelopment Director

Recommended by:

*Strategies to Address Foreclosures, New First-Time Homebuyer Program Guidelines
And Proposed Affordable Housing Developments*

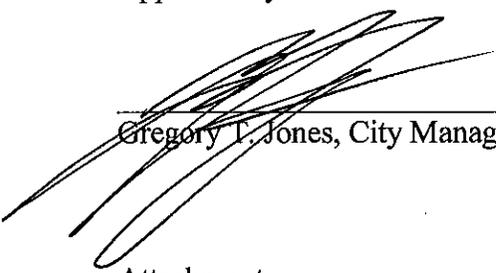
14 of 15

Recommended by:



Fran David, Assistant City Manager

Approved by:



Gregory F. Jones, City Manager

Attachments:

- I. Acronyms Used in this Report
- II. Summary of Recommended Changes to the First Time Homebuyer Program
- III. Occupations in the Oakland-Fremont-Hayward Metropolitan Area Paying Wages Between \$38,750 and \$62,000
- IV. Location of Existing and Proposed Affordable Housing Developments

ATTACHMENT I
ACRONYMS USED IN THIS REPORT

Agency:	Hayward Redevelopment Agency
AHP:	Affordable Housing Program
AMI:	Area Median Income
BAHBA:	Bay Area Homebuyer Agency
BEGIN program:	Building Equity and Growth in Neighborhoods program
CAC:	Citizens Advisory Committee
CDBG program:	Community Development Block Grant program
CHC:	Citizens Housing Corporation
CHSHTAA program:	CalHOME Self-Help Housing Technical Assistance Allocation program
Citation:	Citation Homes Central
City:	City of Hayward
COFI:	Federal Home Loan Bank of San Francisco, 11th District Cost of Funds Index
ECHO:	Eden Council for Hope and Opportunity
Eden:	Eden Housing, Inc.
FTHB program:	First Time Homebuyer Down Payment Assistance program
HABITAT:	Habitat for Humanity East Bay
HCD:	State Department of Housing and Community Development
HER Act:	Housing and Economic Recovery Act of 2008
HOME program:	Home Investment Partnerships Program
HOPE	Operation HOPE, a non-profit organization
HUD:	U.S. Department of Housing and Urban Development
IHO:	Inclusionary Housing Ordinance
LISC:	Local Initiatives Support Corporation
Low-Mod Funds:	Agency Low and Moderate Income Housing Funds
MHP:	State Multifamily Housing Program
NOD:	Notice of Default
NOFA:	Notice of Funding Availability
NSP:	Neighborhood Stabilization Program, a part of the 2008 HER Act
PMI:	Private Mortgage Insurance
Prop 1C:	Proposition 1C - State of California Housing and Emergency Shelter Trust Fund Act of 2006
REO:	Real Estate (Bank) Owned Property
RFP:	Request for Proposals
RHNA:	Regional Housing Needs Allocation
Tax Credits:	State Low-Income Housing Tax Credits
WISH Funds:	Workforce Initiative Subsidy for Homeownership funds from the Federal Home Loan Bank of San Francisco

ATTACHMENT II
SUMMARY OF RECOMMENDED CHANGES TO FIRST TIME HOMEBUYER PROGRAM

Parameter	Current	Proposed
Loan Amount	\$20,000	\$40,000 for Low-income households (HH), \$30,000 for Moderate-income HH
Interest Rate Type	Fixed	Fixed
Interest Rate	Based on Federal Home Loan Bank 11th District Cost of Funds Index	3.5%
Term (in years)	30	30
Amortization schedule (in years)	30	25
Loan Deferment (in years)	0	5
Amortization begin:	immediately	in year 6
Maximum Purchase Price	\$400,000	Set by buyer's purchase capacity, affordability, and underwriting guidelines
Floor Housing Ratio	28%	28%
Maximum Debt-to-Income Ratio	45%	45%
Down Payment required	1% to 3%	1% to 3%
Minimum Cash Reserves	2 months	2 months
Homebuyer Education Required	Yes	Yes (Includes City of Hayward Sponsored Seminar)
Minimum FICO Score	620	620

ATTACHMENT III

OCCUPATIONS IN THE OAKLAND-FREMONT-HAYWARD METROPOLITAN AREA PAYING WAGES BETWEEN \$38,750 AND \$62,000

Occupation	No. of Employees	Hourly Mean	Annual Mean
Insurance underwriters	640	\$30	\$61,690
Vocational education teachers, secondary school	260	*	61600
Compliance officers, except agriculture, construction, health and safety, and transportation	1620	29.39	61140
Industrial machinery mechanics	1700	29.38	61120
Healthcare practitioners and technical workers, all other	780	29.36	61060
Special education teachers, secondary school	580	*	60570
Gaming supervisors	60	28.94	60200
Purchasing agents and buyers, farm products	60	28.91	60130
Boilermakers	**	28.88	60060
Librarians	770	28.87	60050
Chemical plant and system operators	290	28.80	59900
Plumbers, pipefitters, and steamfitters	3450	28.71	59710
Broadcast news analysts	30	28.57	59420
Medical and public health social workers	1550	28.56	59400
Interior designers	160	28.55	59380
First-line supervisors/managers of production and operating workers	3860	28.55	59370
Educational, vocational, and school counselors	1570	28.44	59160
Set and exhibit designers	**	28.39	59060
Choreographers	**	28.21	58670
Physical therapist assistants	300	28.09	58430
Architectural and civil drafters	1460	27.98	58200
First-line supervisors/managers, protective service workers, all other	380	27.97	58180
Adult literacy, remedial education, and GED teachers and instructors	390	27.90	58030
Cartographers and photogrammetrists	60	27.88	57990
Tool and die makers	390	27.72	57660
Sheet metal workers	850	27.72	57650
Brickmasons and blockmasons	200	27.71	57630
Carpenters	11140	27.61	57430
Pump operators, except wellhead pumpers	**	27.59	57390
Instructional coordinators	1330	27.57	57340
Police, fire, and ambulance dispatchers	580	27.56	57320
Electrical and electronics drafters	280	27.55	57300
Crane and tower operators	220	27.49	57170
Paralegals and legal assistants	1410	27.35	56890
Paving, surfacing, and tamping equipment operators	380	27.35	56880
Electrical and electronic engineering technicians	1490	27.26	56710
Health educators	910	27.25	56680
Broadcast technicians	80	27.25	56680
Advertising sales agents	780	27.23	56630
Environmental science and protection technicians, including health	370	27.19	56560
Special education teachers, middle school	300	*	56400
Meeting and convention planners	210	27.02	56210
Environmental engineering technicians	140	27.01	56180
Employment, recruitment, and placement specialists	1220	26.93	56020
Glaziers	290	26.89	55930
Electro-mechanical technicians	90	26.88	55920
Mechanical drafters	490	26.85	55850
Heating, air conditioning, and refrigeration mechanics and installers	1200	26.83	55800
Special education teachers, preschool, kindergarten, and elementary school	1280	*	55570
Wholesale and retail buyers, except farm products	1580	26.70	55550
First-line supervisors/managers of office and administrative support workers	12420	26.70	55530
First-line supervisors/managers of landscaping, lawn service, and groundskeeping workers	770	26.69	55520
Licensed practical and licensed vocational nurses	3470	26.61	55350
Law clerks	**	26.54	55210
Telecommunications equipment installers and repairers, except line installers	4410	26.41	54940
Surveying and mapping technicians	380	26.41	54930
Meter readers, utilities	230	26.41	54930
Arts, design, entertainment, sports, and media occupations	14170	26.33	54760

Occupation	No. of Employees	Hourly Mean	Annual Mean
Property, real estate, and community association managers	2480	26.31	54720
Hydrologists	**	26.27	54650
Construction and extraction occupations	62950	26.20	54500
Curators	50	26.13	54350
Bus and truck mechanics and diesel engine specialists	900	26.09	54270
Computer support specialists	4530	26.09	54260
Education, training, and library occupations	69040	26.05	54180
Graphic designers	1970	25.61	53280
Child, family, and school social workers	1180	25.51	53050
Surgical technologists	550	25.39	52810
Cardiovascular technologists and technicians	280	25.25	52530
Pesticide handlers, sprayers, and applicators, vegetation	**	25.17	52360
Clergy	320	25.10	52220
Protective service occupations	19700	25.06	52130
Social workers, all other	550	25.02	52040
Drywall and ceiling tile installers	2460	25.02	52040
Automotive body and related repairers	980	24.86	51710
Marriage and family therapists	430	24.85	51700
Education administrators, preschool and child care center/program	960	24.78	51550
First-line supervisors/managers of farming, fishing, and forestry workers	40	24.75	51490
Patternmakers, metal and plastic	**	24.75	51480
Real estate sales agents	820	24.66	51290
All Occupations	1028750	24.62	51220
Eligibility interviewers, government programs	1410	24.61	51200
Separating, filtering, clarifying, precipitating, and still machine setters, operators, and tenders	390	24.52	51000
Community and social services occupations	13530	24.50	50960
Cement masons and concrete finishers	2100	24.50	50960
Kindergarten teachers, except special education	1090	*	50880
Installation, maintenance, and repair occupations	37480	24.44	50830
Motorboat mechanics	**	24.39	50740
Painters, transportation equipment	620	24.38	50710
Recreational therapists	140	24.33	50610
Loan counselors	180	24.29	50520
Legal support workers, all other	**	24.19	50310
Directors, religious activities and education	180	24.18	50290
Therapists, all other	60	24.12	50170
Pipelayers	230	24.02	49950
Legal secretaries	1790	23.98	49880
Atmospheric and space scientists	**	23.93	49770
Life, physical, and social science technicians, all other	270	23.87	49660
Installation, maintenance, and repair workers, all other	1390	23.87	49640
Museum technicians and conservators	**	23.85	49610
Material moving workers, all other	**	23.84	49580
Health technologists and technicians, all other	480	23.73	49350
Court, municipal, and license clerks	380	23.65	49180
Locksmiths and safe repairers	50	23.64	49160
Chemical equipment operators and tenders	**	23.64	49160
Editors	860	23.52	48910
Electric motor, power tool, and related repairers	30	23.51	48910
Sales and related workers, all other	1360	23.39	48650
Tile and marble setters	900	23.33	48530
Job printers	360	23.27	48390
Opticians, dispensing	510	23.25	48350
Audio-visual collections specialists	40	23.21	48270
Biological technicians	710	23.20	48260
Interpreters and translators	250	23.20	48260
Survey researchers	**	23.18	48210
Security and fire alarm systems installers	690	23.12	48080
Legislators	200	*	48070
Telecommunications line installers and repairers	1340	23.10	48050
Desktop publishers	120	23.05	47950

Occupation	No. of Employees	Hourly Mean	Annual Mean
Statistical assistants	80	23.05	47950
Automotive service technicians and mechanics	4760	22.86	47540
Highway maintenance workers	450	22.83	47480
Lodging managers	220	22.82	47470
Vocational education teachers, middle school	**	*	47440
Carpet installers	920	22.76	47330
Food service managers	2210	22.74	47310
Executive secretaries and administrative assistants	16520	22.72	47260
Tax preparers	**	22.70	47220
Maintenance workers, machinery	340	22.65	47110
Medical appliance technicians	**	22.58	46960
First-line supervisors/managers of helpers, laborers, and material movers, hand	1620	22.56	46930
Occupational therapist assistants	110	22.54	46870
Orthotists and prosthetists	**	22.44	46670
Transportation workers, all other	730	22.44	46670
Media and communication workers, all other	180	22.37	46530
Animal control workers	400	22.35	46480
Psychiatric technicians	280	22.33	46440
Computer operators	**	22.32	46420
Brokerage clerks	180	22.23	46230
Insulation workers, floor, ceiling, and wall	250	22.12	46020
Rehabilitation counselors	420	22.12	46010
Floor layers, except carpet, wood, and hard tiles	240	22.11	45980
Music directors and composers	120	22.01	45790
Chefs and head cooks	740	22.00	45760
Medical equipment repairers	360	22.00	45760
Plasterers and stucco masons	**	21.99	45740
Prepress technicians and workers	420	21.92	45580
Mental health counselors	800	21.89	45530
Machinists	2160	21.86	45480
Occupational health and safety technicians	70	21.72	45180
Procurement clerks	390	21.65	45040
Parking enforcement workers	100	21.62	44970
Production, planning, and expediting clerks	3020	21.61	44950
Cargo and freight agents	930	21.51	44730
Roofers	1860	21.45	44610
Teachers and instructors, all other	5360	*	44540
Multiple machine tool setters, operators, and tenders, metal and plastic	150	21.36	44430
Community and social service specialists, all other	590	21.27	44240
Postal service clerks	590	21.27	44240
Agricultural and food science technicians	**	21.24	44180
Painters, construction and maintenance	3360	21.23	44170
Human resources assistants, except payroll and timekeeping	1100	21.21	44130
Postal service mail carriers	3280	21.18	44060
Engine and other machine assemblers	90	21.09	43860
Self-enrichment education teachers	1570	21.04	43760
Mental health and substance abuse social workers	530	20.98	43630
Payroll and timekeeping clerks	1570	20.97	43620
Sound engineering technicians	60	20.95	43590
Dispatchers, except police, fire, and ambulance	1650	20.93	43530
Stonemasons	**	20.89	43450
Maintenance and repair workers, general	7920	20.86	43390
Athletic trainers	60	*	43280
Medical transcriptionists	250	20.76	43180
Milling and planing machine setters, operators, and tenders, metal and plastic	180	20.76	43170
Chemical technicians	820	20.67	42990
Septic tank servicers and sewer pipe cleaners	170	20.60	42850
Counselors, all other	240	20.56	42770
Reporters and correspondents	570	20.50	42640
Welders, cutters, solderers, and brazers	1960	20.49	42620
Crushing, grinding, and polishing machine setters, operators, and tenders	120	20.42	42460

Occupation	No. of Employees	Hourly Mean	Annual Mean
Truck drivers, heavy and tractor-trailer	9980	20.41	42460
First-line supervisors/managers of housekeeping and janitorial workers	1030	20.41	42440
Construction and related workers, all other	510	20.40	42420
Social and human service assistants	2920	20.34	42310
First-line supervisors/managers of retail sales workers	8280	20.33	42290
Construction laborers	11430	20.28	42180
Postal service mail sorters, processors, and processing machine operators	2610	20.24	42110
Motorcycle mechanics	30	20.24	42100
Insurance claims and policy processing clerks	2010	20.14	41880
Parts salespersons	1260	20.12	41860
Sales and related occupations	108120	20.09	41790
Medical and clinical laboratory technicians	640	19.93	41460
Refuse and recyclable material collectors	1180	19.68	40940
Fine artists, including painters, sculptors, and illustrators	**	19.63	40840
First-line supervisors/managers of personal service workers	1270	19.62	40810
Protective service workers, all other	1100	19.55	40670
Cabinetmakers and bench carpenters	830	19.55	40650
Loan interviewers and clerks	2500	19.50	40560
Structural metal fabricators and fitters	480	19.48	40530
Massage therapists	130	19.47	40490
Credit authorizers, checkers, and clerks	420	19.47	40490
Tank car, truck, and ship loaders	350	19.25	40050
Education, training, and library workers, all other	160	19.24	40010
Bookkeeping, accounting, and auditing clerks	14030	19.19	39910
Industrial truck and tractor operators	4940	19.18	39890
Medical records and health information technicians	880	19.10	39740
Correspondence clerks	40	19.10	39720
Sailors and marine oilers	130	19.09	39700
Veterinary technologists and technicians	720	19.08	39690
All other information and record clerks	1640	19.07	39670
Interviewers, except eligibility and loan	1710	19.06	39650
Bill and account collectors	2830	19.05	39620
Library technicians	800	18.93	39380
Audio and video equipment technicians	180	18.89	39290
Secretaries, except legal, medical, and executive	6620	18.87	39250
Customer service representatives	14570	18.77	39040
Recreational vehicle service technicians	**	18.77	39040
Pharmacy technicians	1580	18.70	38890

**Due to the color of Attachment IV,
it has been attached as a separate link**