



CITY OF POMONA COUNCIL REPORT

August 7, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Benita DeFrank, Neighborhood Services Director

Subject: **Adopt a Resolution Authorizing One-Year Extensions of CalHome Program Contracts for the Owner-Occupied Housing Rehabilitation Program (10-CalHome-6658 and 12-CalHome-8684), the Mortgage Assistance Program (14-CalHome-9854), and the Mortgage Assistance Program for Manufactured Housing (14-CalHome-9836)**

OVERVIEW:

Recommendations - That the City Council adopts the attached Resolution authorizing one-year extensions of each CalHome Program contract as follows:

1. Owner Occupied Housing Rehabilitation Program (12-CalHome-8684) until June 14, 2018;
2. Owner Occupied Housing Rehabilitation Program (10-CalHome-6658) until October 9, 2018;
3. Mortgage Assistance Program (14-CalHome-9854) until September 24, 2018; and,
4. Mortgage Assistance Program for Manufactured Housing (14-CalHome-9836) until September 24, 2018.

Fiscal Impact - CalHome Program funds are included in the City's FY 2017-2018 Operating Budget. There will be no fiscal impact should the one-year extensions be approved by City Council and then by the State of California Department of Housing and Community Development (HCD). However, revenue and appropriation will be reduced by equal amounts estimated at \$2,824,779 if the one-year extensions are not granted.

Previous Related Actions - Resolution Nos. 2011-5 dated January 24, 2011, 2013-81 dated August 5, 2013, and 2015-3 dated January 26, 2015 appropriated State funds in the amount of \$1.0 million each for the 2010 and 2012 Owner Occupied Housing Rehabilitation Programs, 2014 CalHome Mortgage Assistance Program and 2014 Mortgage Assistance Program for Manufactured Housing. The same Resolutions authorized the City Manager to execute all Standard Agreements and amendments to the Agreements.

EXECUTIVE SUMMARY

The City of Pomona has historically operated three housing related programs using CalHome funding: the Owner-Occupied Housing Rehabilitation Program; the Mortgage Assistance Program; and the Mortgage Assistance Program for Manufactured Housing. In June 2017, the State of California Department of Housing and Community Development (HCD) notified the City that all CalHome program extension requests were no longer being approved without demonstrable cause and local authority authorization. The requested one-year extensions of each CalHome program will allow the City to continue expend the remaining program funds, assisting Pomona residence housing rehabilitation and mortgage assistance loans.

DISCUSSION

Provided through HCD, CalHome Programs are \$1.0 million funding awards that are used for owner occupied housing rehabilitation or mortgage assistance programs. From the date of the award, grantees have 36 months to expend 100% of the funds. In the past, when funds were not fully expended within the 36-month program duration, one-year extensions could be requested, with City staff communicating the justification for extension to CalHome program representatives. These discussions normally occur after the contract expiration dates. Once approved, amendments to the Standard Agreements are executed.

On June 26, 2017, the City of Pomona was notified by HCD that it is no longer extending CalHome Program contracts unless a definitive need is demonstrated. In addition to demonstrating a definitive need, to be considered for an extension, the City must submit a copy of a City Council resolution authorizing the extension.

The City of Pomona has four contracts with the State CalHome Program:

Owner Occupied Housing Rehabilitation Program (10-CalHome-6658 and 12-CalHome-8684)

This program provides funding to rehabilitate manufactured housing or detached single family homes. Beneficiaries are low-income homeowners whose incomes do not exceed 80 percent of the Los Angeles County area median income (\$72,100 for a family of four in 2017). Without the extension, this 2010 contract will end on October 19, 2017, while the 2012 contract ended on June 14, 2017.

- The Manufactured Housing Rehabilitation Program provides assistance of up to \$25,000 to rehabilitate or replace manufactured homes. Assistance to homeowners is provided in the form of a deferred loan at zero percent interest, with 100% of the total obligation forgiven after 20 years. Additionally, 1/10th of the loan is forgiven annually starting year 11, contingent upon continued owner-occupancy.
- The Detached Single Family Rehabilitation Program provides deferred loans up to \$60,000 and bears a 2% interest rate. The loan principal and interest are due and payable when the property is sold, transferred, refinanced with cash out, a change in title occurs, there is default on the loan, or the owner fails to occupy the property as a principal

residence.

The 2010 Owner Occupied Housing Rehabilitation Program (10-CalHome-6658) is near completion with 63 percent of the funds expended. Three (3) projects are on-going, while 2 applications are being processed. Upon completion, these five (5) projects will bring total funds utilized to \$966,131 or 97 percent of the total award. It is expected that these projects will be completed within the one-year extension date requested.

The 2012 Owner Occupied Housing Rehabilitation Program (12-CalHome-8684) is 25 percent completed, involving 6 projects amounting to \$249,090. Prior to the June 14, 2017 contract expiration date, one project, amounting to \$60,000, is under construction and 8 projects, amounting to \$369,100, have been approved by the City. The statuses of these committed projects range from being in the bidding phase to pending issuances of notices to proceed. Since these projects were approved by the City, with the owners having undergone the lengthy process of eligibility review and property inspection, the City becomes obligated to see these projects to completion. It would be detrimental to both the City and HCD if the program is not extended and the funding to homeowners is withdrawn.

Mortgage Assistance Program (MAP) (14-CalHome-9854)

This is a deferred loan program that provides down payment and closing cost assistance of up to \$60,000 for low-income households. The program provides “gap financing,” and is used as a second or third mortgage for first-time homebuyers who would not otherwise be able to purchase a property without the City’s assistance. Recipients of this loan are not required to make monthly payments, but the loan and the City’s share of any equity realized are due and payable should the property be sold, transferred, refinanced with cash out, a change in title occurs, there is default on the loan, or the owner fails to occupy the property as a principal residence. Without the extension, this contract will end on September 24, 2017.

The 2014 Mortgage Assistance Programs were the final funding opportunities issued by the State CalHome Program. In June 2016, the City had just expended \$1.0 million for the Mortgage Assistance Program from the 2011 CalHome award (11-CalHome-8222) that benefitted 19 low-income first time home buyers. Slower progress has been experienced for the 2014 award, with one loan completed and two applications in process. This is due to the increase in home sales prices which are unaffordable for a low-income family despite the \$60,000 gap financing provided by the City (under the program, the maximum purchase price is \$405,000). Consequently, there have been few referrals from participating mortgage lenders to the program.

Beginning this Fiscal Year, 2017-2018, the City will offer additional gap financing of \$100,000 through the HOME Investment Partnership (HOME) Program to deepen the City’s subsidy and allow low-income homebuyers to attain homeownership. In addition, the City will no longer limit the program to mortgage lenders who are on the City’s list of participating lenders. Instead, the program will be open to mortgage lenders who are willing to participate in the City program and who will refer pre-qualified, pre-approved first time homebuyers to the City. With these strategies in place, it is anticipated that the CalHome MAP funds will be utilized within the one-

year extension requested.

Mortgage Assistance Program for Manufactured Housing (14-CalHome-9836)

This program is intended to respond to the need of cities to upgrade and/or replace aging manufactured housing stock. The MAP-Manufactured Housing Program provides a second mortgage, zero percent (0%) interest financing, to allow low and lower-income first time homebuyers to purchase a new or “gently-used” manufactured home. A portion of the funds may be utilized by the owner/buyer to undertake minor repairs on the home to meet the State of California Manufactured Housing Regulations. The total assistance to purchase and rehabilitate the manufactured housing may not exceed \$60,000 per household. 1/10th of the loan is forgiven beginning year 11 and every year thereafter. This program is being implemented in nine designated mobile home parks within the City of Pomona. Without the extension, this contract will end on September 24, 2017.

The Manufactured Housing Mortgage Assistance Program (MF-MAP) is a new program, with initial activities focused on making the program operational. These efforts included meetings with park managers, real estate agents and mortgage lenders to design a program that will be viable for the City, with additional community outreach efforts. To date, two loans have been completed and four applications are in process. The City is also receiving several inquiries about this program. City staff is also meeting with a new park owner who is in the process of improving a mobile home park to qualify for the City’s list of designated mobile home parks. Park improvements are estimated to be completed in three months. Once approved, plans include modernizing the mobile home units in the park through the City’s MF-MAP. Once successful, this undertaking will utilize the City’s MF-MAP funds improving up to 39 units in the park. The City is also continuing to meet with various lenders and agents to utilize program funds.

Summary

Of the original \$1.0 million grant amounts, there are remaining balances estimated at \$313,869 from the 2010 Owner Occupied Housing Rehabilitation Program, \$750,910 from the 2012 Owner Occupied Housing Rehabilitation Program, \$880,000 from the Mortgage Assistance Program, and \$880,000 from the Mortgage Assistance Program for Manufactured Housing totaling \$2,824,779. Upon approval, the City of Pomona’s Neighborhood Services Department will submit the Resolution for the one-year extensions of the four CalHome Program contracts to HCD to officially request their approval to extend the contract periods to expend these funds.

Attachment: Resolution