



THE CITY OF SAN DIEGO

## Redevelopment Agency's Report

DATE ISSUED: February 28, 2008

REPORT NO.: RA-08-01  
RTC-08-21

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Council President and City Council  
Docket of March 4, 2008

SUBJECT: Home in the Heights First-Time Homebuyer Loan Program

REFERENCE: RA-07-26, dated June 20, 2007; RA-02-01, dated January 2, 2002 and Agency  
Resolution R-03423

### REQUESTED ACTION:

- 1) That the Redevelopment Agency approve the Home in the Heights Homebuyer Assistance Program Guidelines.
- 2) That the City Council and the Redevelopment Agency approve the Findings of Benefit for the use of City Heights Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.
- 3) That the Redevelopment Agency approve the Agreement by and between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services.

### STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

- 1) That the Redevelopment Agency approve the Home in the Heights Homebuyer Assistance Program Guidelines.
- 2) That the Redevelopment Agency approve the Findings of Benefit for the use of City Heights Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.
- 3) That the Redevelopment Agency approve the Agreement by and between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services.

### STAFF RECOMMENDATION TO THE CITY COUNCIL:

- 1) That the City Council approve the Findings of Benefit for the use of City Heights Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.

## SUMMARY:

In January 2002, the Redevelopment Agency approved the City Heights Redevelopment Project Area Committee's (PAC) recommendation to allocate a portion of City Heights Redevelopment Project Area low- and moderate-income housing funds (LMIHF) to subsidize the Home in the Heights (HITH) first time home-buyer program for low and moderate income residents. The goal of the program is to make home ownership more accessible and affordable to families seeking to reside in the City Heights Redevelopment Project Area and Planning Area, with priority given to residents displaced by redevelopment projects within the Project Area. The homeowner occupancy rate within the City Heights Project and Planning Area is substantially below the average rate for the San Diego region. Increase homeowner occupancy has been identified as an important factor for improving neighborhood stability, encourage private investment and improving the local housing stock. In order to address the needs of the community, the City Heights Redevelopment Plan and the City Heights Redevelopment Project Third Five-Year Implementation Plan include the goals of encouraging a larger degree of homeowner occupancy within the Project and Planning Area, stabilizing declining neighborhoods, improving the existing housing stock and assisting low and moderate income families obtain affordable housing. The HITH Program is a mechanism to implement and achieve these goals. The guidelines for the HITH Program are included as Attachment #1 to this report.

Participants with a household income of 100% of the San Diego area median income (AMI) or less may qualify for a silent second loan amount of up to \$30,000 from the Agency. The term of the loan is twenty (20) years. Principal and interest is forgivable over the twenty (20) year period provided the participant remains an owner occupant of the home and does not refinance the first mortgage debt without permission of the Agency.

The Agency's financial assistance to HITH Program participants is in the form of a subordinate loan (silent second mortgage) evidenced by a promissory note and secured by a deed of trust recorded against the subject property.

Since the inception of the HITH program, seventy-six (76) first time homebuyers have taken advantage of the loan to leverage the down payment costs associated with a home purchase. Of those homebuyers, 57 participants (75%) have purchased homes within the boundaries of the City Heights Redevelopment Project Area and 19 participants (25%) have purchased homes within the boundaries of the City Heights Planning Area. Under California Redevelopment Law, the Agency and Council must make a finding of benefit to the redevelopment project area from which funds are derived in order to spend those funds outside of the Project Area. Because there is such a nexus between the City Heights Redevelopment Project Area and the City Heights Planning Area, the findings for the HITH program are straight-forward and are included as Attachment #2 to this report.

Recently, considerable attention has been focused on the risks associated with sub-prime lending practices. Historically, the HITH program has insulated itself, the Agency and the participants from these risks with strong lending guidelines and eligibility requirements. The Agreement attached to this report renews and strengthens these previously successful guidelines and requirements, including but not limited to:

- The HITH participant is required to participate in home ownership classes to ensure his/her readiness to take on the responsibilities of mortgage debt service and home ownership.
- The HITH participant is required to provide a minimum down payment of three (3%) percent of the total purchase price for the home and to pay all closing costs.
- The first trust deed loan made to the HITH participant shall be a fixed interest rate loan for a thirty (30) year term and under the most favorable terms available.
- Property taxes and homeowner insurance premiums must be impounded and incorporated in the monthly payments on the first trust deed loan.
- In no event shall the first trust deed loan exceed a loan-to-value ratio of eighty percent (80%) and in no event shall the Agency loan together with the first trust deed loan, exceed a loan-to-value ratio of ninety percent (90%). In such case where a Participant is unable to obtain additional financing from other assistance programs, after making a reasonably good faith effort to do so, and where the Participant provides to the Agency Executive Director or his/her designee proof of such, the Agency may allow that the Agency loan, together with the first trust deed loan, shall not exceed a loan-to-value ratio of ninety-seven percent (97%).
- When a refinance of a mortgage loan increases the original loan amount, the refinance must be approved by the Agency to avoid the Agency loan principal and interest becoming immediately due and payable. The increased mortgage resulting from the refinance must be used to rehabilitate to subject property and may not be used for luxury improvements (such as a spa) and/or items of personal property (such as a refrigerator).

Extending the period of performance with a new Agreement with Community HousingWorks will allow the HITH program to continue funding loans and assisting low- and moderate-income households.

FISCAL CONSIDERATIONS:

This action proposes to expend \$975,000 in currently budgeted FY 2008 City Heights Redevelopment Project Area low- and moderate-income housing funds for individual second mortgages (30 loans at a maximum of \$30,000 each), loan fees and administrative costs.

PREVIOUS AGENCY and/or COUNCIL ACTION:

On May 15, 2007, the Agency adopted the Redevelopment Agency Budget for Fiscal Year 2008, which included a line item of \$1,000,000 (one million) for the Home in the Heights first time homebuyer program.

On June 26, 2007, the Agency approved an Amendment to the Agreement with the Community HousingWorks to extend the time of performance under the prior Agreement for the Home in the Heights Program to end December 31, 2007.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On December 10, 2007, the City Heights PAC approved the revised Home in the Heights program guidelines as presented by Agency staff and made several additional recommendations. Each recommendation of the PAC was incorporated into the final draft of the Program Guidelines.

KEY STAKEHOLDERS and PROJECT IMPACTS:

Community HousingWorks is a 501(c)(3) not-for-profit organization, governed by a volunteer board of directors. The Home in the Heights program will be of benefit to eligible first time homebuyers with a household income of 100% AMI or less seeking to reside in the City Heights Redevelopment Project Area or City Heights Planning Area.

ALTERNATIVE:

Do not approve the Agreement by and between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services and do not approve the Findings of Benefit for the use of City Heights Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.

Respectfully submitted,

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Janice L. Weinrick  
Deputy Executive Director/  
Assistant Director, City Planning  
And Community Investment

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Approved: William Anderson  
Assistant Executive Director/  
Deputy Chief Operating Officer,  
City Planning and Development

- Attachments:
1. Home in the Heights Homebuyer Assistance Program Guidelines
  2. Findings of Benefit for the use of City Heights Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area
  3. Map of City Heights Redevelopment Project Area and Planning Area Boundaries
  4. Agreement By and Between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services