



*City of Arts & Innovation*

# Development Committee

**TO: DEVELOPMENT COMMITTEE MEMBERS** **DATE: FEBRUARY 18, 2016**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARDS: ALL**

**SUBJECT: AMENDMENTS TO THE DOWN PAYMENT ASSISTANCE (DPA) AND HOUSING REHABILITATION GRANT PROGRAM GUIDELINES - DIRECT SUBMITTAL**

## **ISSUE**

The issue for Development Committee consideration is to recommend to the City Council an amendment to the Riverside DPA Program Guidelines, reducing the maximum buyer contribution from three percent (3%) to one percent (1%) of the purchase price of the home.

The second issue for consideration is an amendment to the Housing Rehabilitation Grant Program, expanding eligibility for a one-time grant of up to \$5,000 for fixed foundation homes and up to \$8,000 for mobile homes, to all low income households in addition to senior households.

## **RECOMMENDATIONS**

That the Development Committee recommend to the City Council Approval to Approve:

1. Amendment to the Down Payment Assistance Program Guidelines to reduce the minimum buyer's contribution from three percent (3%) to one percent (1%) of the purchase price; and
2. Amendment of the Housing Rehabilitation Grant Program expanding eligibility for a one-time grant of up to \$5,000 for fixed foundation homes and up to \$8,000 for mobile homes available to all low income households, in addition to senior households.

## **BACKGROUND**

The State of California Housing and Community Development (HCD) Department administers a CalHOME Mortgage Assistance Program, of which the City of Riverside is a grantee. These grant funds allow the City to operate a Down Payment Assistance (DPA) program. The DPA program offers a low-interest, deferred loan to income eligible first-time homebuyers for use as a down payment or to pay closing costs. DPA may provide a maximum of \$50,000 or 25% of the purchase price whichever is less, at an interest rate of three percent (3%).

Within the current grant period, the City's DPA Program has expended \$368,384 of the \$500,000 allocation, successfully assisting eight (8) households purchase their first home. \$131,615 of DPA assistance remains available, enough to serve approximately three new homebuyers. These funds must be expended prior to June 14, 2016, or risk recapture by the State.

## **DISCUSSION**

### **DPA Program**

Accumulation of sufficient funds for a down payment is a significant barrier to affordable home ownership, especially for low-income households. As illustrated by the example below, under the current DPA Guidelines, the homebuyer needs to place a down payment of \$9,150 and retain an additional one percent (1%) of the purchase price in reserves. Should the DPA Program be amended, as proposed, the first time homebuyer would be required to place a \$3,050 down payment and retain an additional 1% of the purchase price in reserves.

Example: Purchase Price: \$305,000

	Current DPA Guidelines (3%)	Proposed DPA Guidelines (1%)
Buyer's Minimum Contribution	\$9,150	\$3,050

Potential buyers interested in the City's DPA program, as well as lenders participating in the program have advised staff of the difficulty potential buyers are experiencing in accumulating the required 3% down payment, though otherwise fully qualified and financially able to afford regular mortgage payments and upkeep associated with a home.

In order to encourage additional interest in the City's DPA program, staff will co-market the recently approved Mortgage Credit Certificate (MCC) program along with the City's DPA program. Further staff recommends the reduction of the minimum required buyer's contribution, from 3% to 1%, to participate in the City's DPA program.

### **Housing Rehabilitation Grant Programs**

The City of Riverside receives an annual allocation of Federal HOME Investment Partnership (HOME) Funds, \$400,000 is set-aside to assist low-income households and low-income senior households, aged 62 and over, in eliminating health and safety hazards, code violations and improvements related to disability access related work (e.g. wheelchair ramp, door widening, grab-bars) through the Housing Rehabilitation Loan and Grant Program. All low income households are eligible to apply for a low interest loan for up to \$50,000 to remedy these concerns. No changes are requested to the loan portion of the Housing Rehabilitation Program.

The City of Riverside also operates two grant opportunities for the same purposes, disability access related work, at a reduced dollar amount. Low income individuals with a disability, needing to make minor improvements to their property may apply for a one-time grant of up to \$5,000 for improvements to their home (\$8,000 if improvements are made to a mobile home). There is no minimum age required to apply for the Disability Access Grants. Only low-income individuals, at or over 62 years of age may be eligible for a one-time grant of up to \$5,000 for improvements to their home, up to \$8,000 if improvements are made to a mobile home.

Recently, staff has received requests from low-income households needing minor assistance, similar to the Senior Housing Rehabilitation Grant. There is no grant opportunity available for low-income households needing to correct minor code violations or address health and safety hazards. Staff recommends expanding the Housing Rehabilitation Grant Programs, making them

available to all low-income households.

### **FISCAL IMPACT**

The proposed change does not have a fiscal impact on the DPA program. The goal of the requested change is to make home ownership more affordable by lowering the buyer's contribution. There is adequate funding available to continue funding the DPA program in CalHOME account no. 9229940-440210.

Submitted by:	Emilio Ramirez, Community & Economic Development Deputy Director
Certified as to	
availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	Al Zelinka, FAICP, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney