



Council Meeting: March 18, 2008

SUBJECT: Appropriate Funds from the City's Housing Fund to Support Housing Program Activities for the Remainder of FY 2007/2008 and Budget Modifications No. 38

REPORT IN BRIEF

Community Development Department's Housing Division requests approval to appropriate an additional \$35,000 from the Housing Fund/Below Market Rate (BMR) Housing Sub-fund in FY 2007/2008. The monies will be used for contract services to provide additional homebuyer educational programs to assist qualified applicants to obtain Below Market Rate (BMR) housing.

The cost associated with providing the education programs varies and depends on how many households attend the entire program series. With the increased number of BMR properties becoming available this year, an increased number of applicants are being invited to attend the education programs. The purpose of the programs is to ensure that mortgage-ready buyers are educated and informed about the responsibilities of purchasing BMR properties.

BACKGROUND

In June 2003, Council approved RTC 03-257 to allocate a project budget to implement the homebuyer education and homeownership assistance components of the First-Time Homebuyer Support Program.

With the assistance of contract services, staff coordinates the homebuyer educational component of the program to ensure that applicants are both educated about the program and have the financial capacity to purchase a BMR property. The number of educational workshop series held each year is largely driven by the number of available BMR properties and the number of applicants who complete the entire educational series and are mortgage ready.

EXISTING POLICY

Housing and Community Revitalization Sub-Element

Goal E. Maintain and increase housing units affordable to households of all income levels and ages.

City of Sunnyvale Strategic Plan: 2005-2010

The 2005-2010 Strategic Plan includes planned activities to expand the city's BMR program and support rental and home buyer assistance.

Community Development Strategy

Chapter VI, Programs – This Community Development Strategy recommends creation of a new First-time Homebuyer Support Program to assist qualified renters (generally 70-120 percent of median income), particularly those in existing BMR at-risk apartments, to move into first-time homeownership. The program does include homebuyer education workshops.

DISCUSSION

In an effort to ensure that each BMR applicant waiting to purchase a home has a thorough understanding of the BMR Home Ownership Administrative Guidelines and Deed Restrictions placed on the property, staff retains the services of HUD-certified contract agencies to provide the required workshops specifically geared to the City's First-Time Homebuyer Support Program. The cost of the workshops varies and depends on how many applicants complete the entire workshop series and have the financial capacity to purchase a BMR property.

There are 3 educational workshops in each series. First, is the BMR Home Ownership Program Overview, second is the 1:1 Financial Screening with a HUD-certified credit counselor and the third workshop provides instructions for the applicants to complete the BMR Application to Purchase. Workshop 1 and 3 are offered on three separate dates in each series, while workshop 2 is an individual workshop with the credit counselor and each applicant.

In the last several years, small groups were selected to attend the workshop series, which allowed staff to control the costs. However, with the increased number of BMR properties becoming available this year, staff has increased the number of applicants invited to attend the workshop series to ensure that mortgage ready buyers are available to purchase the properties. To accommodate the increase in attendance, approval is requested for Budget Modification No. 38 to appropriate an additional \$35,000 from the Housing Fund/Below Market Rate (BMR) Housing Sub-fund to support contract services which provide homebuyer educational programs to assist qualified BMR applicants obtain BMR Housing.

FISCAL IMPACT

Approval of Budget Modification No. 38 will appropriate \$35,000 from the Housing Fund/Below Market Rate (BMR) Housing Sub-fund's reserves to the Community Development Department Housing Division's operating budget for *Activity 230610 — Assist Households to Obtain BMR Housing*. One of the functions of this project is to provide education and training to potential buyers of BMR properties. Currently, the activity's total budget for FY 2007/2008 is \$218,728, of which \$174,775 is programmed for salaries and benefits; \$7,500

is programmed for purchased goods and services; and \$10,983 is programmed for education and training for first-time homebuyers. Approval of this budget modification will increase the education and training component from \$10,983 to \$45,983, which will serve 230 first-time homebuyers. Budget Modification No. 38 is presented in the following table:

BUDGET MODIFICATION NO. 38
FISCAL YEAR 2007-2008

	Current	Increase (Decrease)	Revised
Housing Fund/Below Market Rate (BMR) Housing Sub-fund			
<u>Expenditures:</u>			
Activity 230610 — Assist Households to Obtain BMR Housing	\$218,728	\$35,000	\$253,728
<u>Reserves:</u>			
BMR In-lieu Reserve	\$3,229,549	(\$35,000)	\$3,194,549

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center, and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Approve Budget Modification No. 38 to appropriate \$35,000 from the Housing Fund/Below Market Rate (BMR) Housing Sub-fund to support contract services which provide homebuyer educational programs to assist qualified BMR applicants obtain BMR Housing.
2. Approve alternative action and approve Budget Modification No. 38 as amended by Council.
3. Do not approve Budget Modification No. 38.

RECOMMENDATION

Staff recommends Alternative 1. Approve Budget Modification No. 38 to appropriate \$35,000 from the Housing Fund/Below Market Rate (BMR) Housing Sub-fund to support contract services which provide homebuyer educational programs to assist qualified BMR applicants obtain BMR Housing.

Reviewed by:

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Prepared by: Ernie DeFrenchi, Affordable Housing Manager

Reviewed by:

Mary J. Bradley, Director of Finance

Approved by:

Amy Chan
City Manager