TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: SEPTEMBER 23, 2002

CMR:402:02

SUBJECT: ADOPTION OF RESOLUTION REQUIRED FOR THE HOUSING ENABLED BY LOCAL PARTNERSHIP (HELP) PROGRAM LOAN APPLICATION

RECOMMENDATION

Staff recommends that the City Council adopt the attached resolution that is required as part of the City’s application to the California Housing Finance Agency (CHFA) for a Housing Enabled by Local Partnership (HELP) Program loan in the amount of $500,000 as authorized by Council action on September 9, 2002.

BACKGROUND

On September 9, 2002 (CMR:378:02), Council approved the establishment of a Below Market Rate (BMR) Emergency Fund. The Emergency Fund will support a preservation program for the BMR housing stock and a loan program to assist BMR unit owners facing substantial, mandatory condominium association assessments. The first two projects to be affected by these assessments are the Abitare and Redwoods condominiums. Initial funding for the assessment loan program was approved by Council with the adoption of a Budget Amendment Ordinance (BAO) appropriating $150,000 from the Residential Housing In-Lieu Fund to the new BMR Emergency Fund. Council also authorized the City Manager to apply to CHFA for HELP program funding of up to $500,000 for additional funds for assessment loans and for other expenses connected with the preservation of the City’s BMR unit housing stock. The HELP application is due by Friday, September 27, 2002. The attached resolution is required as part of the HELP application.

DISCUSSION

Staff recommended pursuing the HELP program funds to supplement the $150,000 appropriated by Council from the Residential Housing In-Lieu Fund. The $150,000 will
be sufficient to fund six to eight assessment loans and pay related third party administrative costs. Based on several discussions with HELP program management, staff concluded that the new BMR emergency loan and preservation program would be competitive for the HELP funds. With the addition of the HELP funds, there would be resources available to assist additional owners at Abitare and the Redwoods, to provide further loans should there be subsequent assessments at those two projects and to have funds readily available for assessment loans at other developments.

Staff also intends to utilize the majority of the HELP funds for preservation and rehabilitation of the BMR unit housing stock. With a dedicated source of funds, the City could acquire units quickly to prevent foreclosure losses. Units in poor condition could be acquired and rehabilitated or owners could be provided with short-term loans to complete comprehensive repairs and renovation prior to sale. Over time, the new assignment fee will provide an ongoing source of funding to help preserve the BMR housing stock. In the short term, the HELP program funds represent a critical component of the City’s preservation strategy.

Staff has had further discussions with the Palo Alto Credit Union (PACE) regarding its administration of the assessment loan program. PACE management has expressed a strong interest in taking on this new program and its board of directors will review and act on the proposal at its next meeting on September 25. PACE has recent experience administering the Utility Department’s home energy improvement loan program. Staff intends to initiate the assessment loan program with the funds from the $150,000 appropriation as soon as the administrative process can be worked out.

**RESOURCE IMPACT**

The HELP funds would be provided to the City an unsecured loan for up to 10 years at three-percent simple interest per annum. The $500,000 requested in the HELP application will be drawn down as funds are used for assessment loans and preservation activities. Interest will accrue only on funds that are actually utilized. Staff proposes that the maximum 10 year loan term be requested from CHFA. The City HELP loan will be a debt of the City itself and becomes a general obligation of the City. The City, not the BMR owners who receive assessment loans, will be responsible for repayment of the HELP funds and the interest by the end of the 10-year term. While specific repayment sources or security are not required for the HELP application, it will strengthen the City’s application to identify proposed repayment sources. Three sources will be identified in the HELP application and used to repay the HELP loan; they are listed in order that they will be used:

- Assessment loan repayments from BMR owners
- Funds from the assignment fee charge on the resale price of existing BMR units
- Funds from the Residential Housing In-Lieu Fund
In staff’s judgement there is very little risk that the City would not be able to repay the HELP loan over the 10-year term from the above sources of funds.

POLICY IMPLICATIONS
CHFA requires that the HELP application include excerpts from relevant approved plans such as the Housing Element documenting this local housing priority. As discussed in the September 9 CMR (pages 12-13), the draft Housing Element address the conservation, rehabilitation and maintenance of the City’s affordable housing stock in broad terms under Goal H-2. Staff will prepare minor revisions to Policy H-9 in the draft Housing Element to clarify that preservation of the BMR ownership housing stock is a City priority. Staff will also draft language to add the assessment loan program to the draft Housing Element. This draft language will be submitted as part of the HELP application. Because the Housing Element update has not yet been adopted by Council, the City’s HELP application may be ranked lowered than competing applications from other jurisdictions due to the City’s inability to show that its BMR emergency program is clearly included in an adopted local housing plan.

TIMELINE
The following are the key milestones in the HELP application process and the steps necessary to actually utilize the funds:

- Council approves resolution regarding HELP application September 23
- Staff submits funding application to CHFA September 27
- HELP awards announced November 22
- City and CHFA execute HELP funding agreement By mid-December
- Procedures for assessment loans funding from HELP worked out between City, loan program administrator and CHFA By mid-January 2003
- HELP program funds available for first assessment loans and to preserve at-risk BMR units Mid-January 2003

ENVIRONMENTAL REVIEW
The application for the HELP program funding is not an action subject to the California Environmental Quality Act (CEQA).

ATTACHMENTS
A. Resolution Authorizing an Application for HELP Funds

PREPARED BY: ________________________________
Catherine Siegel, Housing Coordinator
DEPARTMENT HEAD REVIEW: ____________________________________________
Steve Emslie
Director of Planning and Community Environment

CITY MANAGER APPROVAL: ____________________________________________
EMILY HARRISON
Assistant City Manager

cc: Human Relations Commission
Palo Alto Housing Corporation
BMR Unit Owners at Redwoods and Abitare Condominiums