

DATE: NOVEMBER 15, 2004
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: EXECUTIVE OFFICER
SUBJECT: AMENDMENT NO. 1 TO THE JOINT POWERS AGREEMENT WITH
THE CALIFORNIA CITIES HOME OWNERSHIP AUTHORITY

RECOMMENDATION

It is recommended that the Pasadena Community Development Commission approve Amendment No. 1 to the Joint Powers Agreement with the California Cities Home Ownership Authority (CCHOA) to remove the exclusive relationship with JK Chilton & Associates.

BACKGROUND

CCHOA was created to implement programs to assist families and individuals who otherwise could not qualify for, or afford, loans from private mortgage lenders to acquire homes within the jurisdiction of the 12 cities that comprise the CCHOA members. The City joined CCHOA in 1988 and participates in the Lease-to-Own program.

The operation of CCHOA is funded by proceeds from the sale of certain pass-through bonds. CCHOA has issued such pass-through obligation in 1988 and in 2001. The investment banking firm J.K. Chilton & Associates served as the primary underwriter in the initial public offerings of both bonds. Partly because of such firms' familiarity with lease-purchase programs at the time of CCHOA's formation, the original JPA agreement contains a provision stating that JK Chilton & Associates, Inc. shall serve as underwriter for the Bonds issued by the Authority.

With the maturity of the 1988 bonds in December 2003, CCHOA has begun reviewing *proposals for the issuance of new bonds and with that, various possibilities including lease-to-purchase structure*, as well as other types of programs, to further its goals of providing assistance to potential qualified home buyers. To enable CCHOA to explore a wide range of possibilities, the CCHOA Board of Directors, in its July 7, 2004 meeting, recommended that CCHOA change its current exclusive relationship with JK Chilton & Associates. The CCHOA Board directed that a JPA amendment be distributed to all of the CCHOA members for approval and execution. Once fully executed, the JPA amendment will allow CCHOA to work with other underwriters, as well as JK Chilton & Associates, in its bond financings.

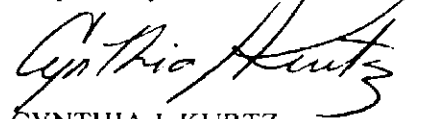
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Approval of the JPA Amendment will facilitate continuation of an important tool to promote the Commission's goal of increasing home ownership throughout the City. To date, approximately 10 families have taken advantage of this program. Our impediment to participate has been the maximum home purchase price of \$300,700. Under the Lease-To-Own program, a household with sufficient income to qualify for a conventional mortgage, but without cash savings for down payment and closing costs, would have the opportunity to lease a home with an option to purchase. CCHOA purchases homes on behalf of the participating families and offers them back through a Lease-to-Own agreement. During the lease period (typically three years), CCHOA pays the mortgage payments, and insures property maintenance of the home. At the end of the three-year period, the participant takes title to the property and assumes a partially amortized mortgage with 27 years remaining. Households with up to 140% of median income are eligible. This program compliments the Commission's other programs because it is not restricted to first-time home buyers or lower and moderate income households.

FISCAL IMPACT

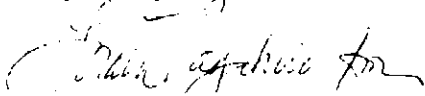
Participation in the Lease-to-Own program incurs no indebtedness or fiscal obligation by the Commission.

Respectfully submitted,



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Executive Officer

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