

Agenda Report

DATE: JULY 13, 2009

TO: CITY COUNCIL
THROUGH: ECONOMIC DEVELOPMENT AND
TECHNOLOGY COMMITTEE (JULY 1, 2009)

FROM: CITY MANAGER

SUBJECT: AUTHORIZATION TO ENTER INTO A CONSORTIUM
AGREEMENT AND COMMIT \$600,000 OF STATE CALHOME
FUNDS IN SUPPORT OF MERCY HOUSING APPLICATION FOR
FEDERAL NEIGHBORHOOD STABILIZATION PROGRAM 2
FUNDING

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Enter into a consortium agreement with Mercy Housing, Inc. in connection with their application for federal Neighborhood Stabilization Program 2 ("NSP-2") funding;
2. Commit an amount not to exceed \$600,000 in CalHome funds from the Housing Department's FY 2010 operating budget in support of Mercy Housing's NSP-2 funding application and the proposed homebuyer loan assistance program described in this agenda report; and
3. Authorize the City Manager to approve any documents necessary to implement the program.

ADVISORY BODY RECOMMENDATION

This item was agendaized for Community Development Committee action at its regular meeting of June 25, 2009. Staff will report orally on the action taken by the Community Development Committee.

BACKGROUND

On June 12, 2009, non-profit housing sponsor Mercy Housing, Inc. approached the City with an opportunity to address Pasadena's housing needs by utilizing local housing resources to leverage federal funding. After further discussions, a program was developed by City Housing staff and Mercy Housing representatives to address the need for low income housing by taking advantage of foreclosed property opportunities.

As proposed, Mercy Housing would acquire foreclosed or financially distressed homes in Pasadena for resale to low income families, towards which the City would commit up to \$600,000 of CalHome funding. The proposed federal funds to be obtained by Mercy Housing would provide an additional subsidy, enabling the City to more effectively make use of its CalHome funds. The City has \$1,460,000 in CalHome funds in its FY 2010 budget, from a total of \$1,500,000 awarded by the State of California (\$600,000 in FY 2007 and \$900,000 in FY 2009). These funds are required to be used to assist low-income homebuyers. The use of these funds has been challenging due to program loan caps (\$40,000 for the FY 2007 allocation and \$60,000 for the FY 2009 allocation); Pasadena's high housing cost; and the tightening of the credit market which makes obtaining a mortgage more difficult. The FY 2007 allocation is required to be expended by June 2010 and the FY 2009 allocation by August 2011.

Mercy Housing intends to submit an application to the U. S. Department of Housing and Urban Development ("HUD") for federal grant funding through "Neighborhood Stabilization Program 2" ("NSP-2"), authorized under the American Recovery and Reinvestment Act, 2009. Eligible uses of NSP-2 funds include soft second/shared equity loans; acquisition/rehabilitation; land banking; demolition of blighted structures; and redevelopment of demolished or vacant properties. HUD is making available \$1.93 billion in NSP-2 funds nationwide.

Mercy Housing Inc. is a national nonprofit housing developer, founded in 1981. Its headquarters is in Chicago and has a presence in California with offices in Sacramento, San Francisco, and Los Angeles. Mercy Housing has developed or financed over 35,000 units nationwide, including 3,500 single-family homes and 6,500 multifamily units in California. In addition, Mercy housing has rehabilitated over 1,700 homes (100 within the last 24 months), and closed over 400 first-time homebuyer loans. Mercy Housing will be submitting to HUD a single master funding application encompassing potential projects and programs nationwide -- including initiatives with local governments -- under a proposed consortium agreement. Cities in Southern California currently included in Mercy Housing's application are Hawthorne, Inglewood, Culver City, West Covina and El Monte.

The program would be structured to ensure that homes remain affordable to the maximum extent practicable and for the longest feasible term. The proposed NSP-2/CalHome homebuyer assistance program would also include the

participation of local nonprofit housing sponsor Pasadena Neighborhood Housing Services ("PNHS") which would provide program participants with homebuyer education resources. PNHS is a HUD-approved Housing Counseling Agency.

Mercy Housing's application to HUD would include a grant request of \$5.35 million in NSP-2 funds for use in Pasadena. Of this amount, \$2.90 million would be allocated for homebuyer loan assistance and \$2.45 million for acquisition and housing rehabilitation activities. The NSP-2 application deadline is July 17, 2009.

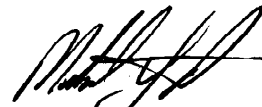
HOUSING IMPACT

Should Mercy Housing be successful in leveraging federal NSP-2 funds with the City's CalHome funds, and implement the homebuyer loan assistance program as described in this agenda report, approximately 12 units of affordable, low income for-sale housing would be provided. These units will be credited towards the Regional Housing Needs Assessment (RHNA) housing production targets in Pasadena for very low and low income units. In addition, another 30 low and moderate income units are anticipated to be provided through acquisition and rehabilitation activities utilizing NSP-2 funds. The program is consistent with the City's General Plan Housing Element and the Five-Year Consolidated Plan.

FISCAL IMPACT

The Housing Department's Fiscal Year 2010 operating budget includes an appropriation of \$1,460,000 in CalHome funds to support efforts such as these. Should Mercy Housing be successful in obtaining the federal NSP-2 funds and implement the program as described in this agenda report, there would be a draw down of up to \$600,000 in budgeted CalHome funds.

Respectfully Submitted



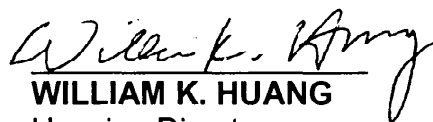
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