

## **ITEM 10.I.**

### **MOORPARK CITY COUNCIL AGENDA REPORT**

**To:** Honorable City Council

**From:** David C. Moe II, Redevelopment Manager *DeWitt*

**Date:** August 22, 2013 (CC Meeting of 9/4/13)

**Subject:** Consider Prohibition of Residential Developers from Engaging Directly or Indirectly with Financing of Mortgages in the City's First Time Home Buyer Program

#### **BACKGROUND AND DISCUSSION**

The City of Moorpark (City) has successfully assisted 57 low and very low income families purchase homes through the City's First Time Home Buyer (FTHB) Program. The majority of these homes, with the exception of four (4), were provided by residential developers to satisfy their affordable housing requirement in their negotiated development agreement with the City.

Due to increasing home values in the City, developers are once again proceeding with home building. Both Pardee and SHEA Homes are moving forward with the next phases of their developments which will produce an additional 27 affordable units.

In the past, staff has worked with Wells Fargo Home Mortgage to provide financing for the low and very low income buyers in the City's FTHB program. The City does not have a contract with Wells Fargo Home Mortgage to provide the financing for the FTHB program, but Wells Fargo Home Mortgage was the only lender willing to accept the City's deed restrictions. However, with the City Council's change to the Resale and Refinance Restriction Agreement on December 19, 2012, restricting the City's equity share provision, the program is now lendable under Freddie Mac guidelines.

The City has been contacted by various lenders wanting to participate in the FTHB program. Staff is considering having a meeting to explain the FTHB program to the lending community in an effort to expand the lender choices for the buyers. Staff is supportive of increasing the lending choices for the FTHB program provided that the lender is a third party entity not directly or indirectly affiliated with the residential developer. For example, staff does not think it would be appropriate for SHEA or an affiliate to provide the buyers in the City's FTHB program with financing to purchase

their home in one of SHEA's residential developments. Staff believes that the developer or one of its affiliates providing the financing may suggest that the transaction is not an "arm's length transaction"

Staff recommends the City Council immediately prohibit a residential developer or affiliate from providing mortgages to buyers in the City's FTHB program for their development and direct staff to amend City Council Policy No. 3.5 to reflect this prohibition at the next City Council Policy update.

### **FISCAL IMPACT**

None.

### **STAFF RECOMMENDATION**

1. Prohibit a residential developer or affiliate from providing mortgages to buyers in the City's First Time Home Buyers Program for their development; and
2. Direct staff to amend City Council Policy No. 3.5 at the next update to reflect this prohibition.