

**MOORPARK CITY COUNCIL
AGENDA REPORT**

To: Honorable City Council

From: Nancy Burns, Senior Management Analyst 

Date: July 26, 2007 (CC Mtg. of August 1, 2007)

Subject: Consider Opening Round 3 of the City's First Time Home Buyer Program

BACKGROUND

A lottery was conducted at a Special Meeting of the City Council July 19, 2006, for Round 2 of the City's First Time Home Buyer Program. This lottery determined the order in which eligible applicants were processed for the units available at that time. Buyers were approved for the 2 affordable units in the Shea Homes Canterbury Lane project. No additional units have been completed since that time. The lottery list from last year expires July 31, 2007, and no affordable units are expected to be completed by that time.

DISCUSSION

Following some delays due, in part, to a general slowing in construction, Pardee's Waverly Place is moving forward now, and a total of 25 units affordable to Low Income households (80% of median income) are anticipated in this project. This development will offer twelve 3 bedroom/2 bath units at 1,050 square feet, and thirteen 4-bedroom/2 bath units at 1,425 square feet.

Staff recommends conducting a new lottery to identify buyers for this project. The lottery list created will be valid for 2 years. During this time period, the lottery list will be used for any Low Income resales that become available, and any other City/Redevelopment Agency affordable housing units. It is believed that the City will continue to conduct lotteries in the future, so that a list of pre-qualified applicants will always be available for possible resale opportunities.

Although attendance at one of the informational workshops is mandatory for lottery participants, all income levels, including Very Low Income and Moderate Income individuals and households are welcome to attend the workshops to learn about the application process, eligibility requirements, deed restrictions, resale requirements, etc.

The list generated by the lottery will be administered in lottery number (numerical) order. Following conditional loan approval, each applicant will be assigned an affordable unit (new condominium or resale) based on family size.

Section 50052.5 of the California Health and Safety Code defines affordable housing cost for purchases based on a family size "appropriate for the unit". Sub-section "c" of this Section of the Code provides that "family size appropriate to the unit" is as follows:

Assumed Household Size	
1 person	Studio unit
2 persons	1 bedroom
3 persons	2 bedrooms
4 persons	3 bedrooms
5 persons	4 bedrooms

What the above means is that Affordable Housing Cost for a 3-bedroom dwelling, for instance, is based on median income for a household of 4 persons, no matter what size household actually purchases the unit. Affordable Housing Cost includes principal, interest, property taxes, insurance, HOA dues (if applicable), utilities and maintenance costs.

The following example explains how this affects a smaller household:

The current Affordable Sales Price for Pardee's (Low Income) Waverly Place 3 bedroom unit is \$166,000. A 2-person household at the low end of the Low Income category would have a housing cost-to-income ratio of 44%. A 2-person household at the high end of the Low Income category would have a housing cost-to-income ratio of 28%, which is an acceptable housing ratio. Whether or not either applicant would be approved to purchase the unit would also depend on the amount of funds remaining after providing the required minimum down payment, and the additional debt carried by the applicant.

Affordable Sales Prices, based on current income limits and interest rates, are shown on the following page. These are only estimates. Sales aren't expected to occur until

2008 and the Affordable Sales Prices will be adjusted based on then applicable income limits.

**AFFORDABLE SALES PRICES
2007 Income Limits**

Pardee Homes "Waverly Place" (condominiums)

Low Income	3 bedrooms (assumed household of 4)	\$79,500 (Household of 4)	1/12 of 30% of 70% of \$79,500	\$166,000
Low Income	4 bedrooms (assumed household of 5)	\$85,900 (Household of 5)	1/12 of 30% of 70% of \$85,900	\$180,000

Staff has proposed modifications to Policy 27 - First Time Home Buyer Affordable Housing Program and is requesting said modifications be approved at this time by Minute Order. Staff will bring the proposed modifications to the City Council for discussion and final approval on September 19, 2007. A redline version of Policy 27 is attached as Exhibit A.

STAFF RECOMMENDATION

Authorize staff to proceed with plans for Round 3 of the City's First Time Home Buyer Program, with provisions as stated in this report and applicable to the Pardee Waverly Place development, resale units or other City/Redevelopment Agency Affordable Housing units; advertise the program; schedule a lottery for October 17, 2007; and approve provisions stated herein to become modifications to Policy 27.

Exhibit A

EXHIBIT A

SECTION 27. POLICY 27 – FIRST-TIME HOME BUYER AFFORDABLE HOUSING PROGRAM

Periodically, the City and/or the Moorpark Redevelopment Agency will make available for sale one or more attached or detached dwelling units to very low, low, or moderate income persons/households as further defined below as part of its First-Time Home Buyer Affordable Housing Program (Program). This policy sets forth the primary criteria for eligibility for participation in said Program and determining priority for participant selection. This policy also sets forth the primary criteria and parameters for retaining the affordable units as affordable for the longest feasible period, but in no event less than forty-five (45) years; equity sharing requirement upon resale; and establishes the requirement that upon resale the affordable dwelling unit is sold to a City/Agency approved buyer in the same income category as the original buyer at the time of the initial sale.

Other criteria to determine participant eligibility and to ensure compliance with this policy, including but not limited to purchase agreement documents, shall be established by the City Manager prior to the advertisement of the availability of one or more affordable dwelling units as part of the Program.

1. Home Buyer Qualification Guidelines

- Low Income (less than 80 percent of Ventura County median income based on household size); Very Low Income (less than 50 percent of Ventura County median income based on household size); and when applicable Moderate income (less than 120 percent of Ventura County median income based on household size)
- First time home buyers (no previous home or mobilehome ownership)
- First priority for City of Moorpark residents who have lived in the City of Moorpark for no less than one year prior to Program application deadline (Category 1)
- Second priority to people who have worked within the City of Moorpark for no less than one year prior to Program application deadline (Category 2)
- Third priority all others (Category 3)
- Five percent (5%) minimum down payment, based on sales price [No more than two percent (2%) of affordable sales price may be a qualified gift with remainder from borrower's own funds; under certain circumstances, down payment assistance loan, not to exceed one percent (1%) of affordable sales price, with four percent (4%) from borrower's own funds.]
- Non-occupant co-borrowers are not allowed

2. **Selection Process**

- Advertisement of program and orientation meetings on City Home Page, City government channel, and distribution of a press release and other means as determined by the City Manager
- Mandatory attendance of all interested buyers at an orientation meeting.
- Pre-screening applications offered at orientation meetings
- Neighborhood Housing Services of America (NHTSA) or other City-approved underwriting guidelines to be used, subject to additional City requirements
- City-approved Home Buyer Education required prior to purchase, and City-approved post-purchase home owner workshops (foreclosure intervention, predatory lending, etc.) required after close of escrow
- A public lottery drawing shall be conducted for residential developments with affordable units. Applicants may participate in the lottery process for more than one development. Each lottery will consist of three “mini-lotteries” for the three priority categories listed in Section 1 of this policy. Categories will be exhausted before moving to the next category (Category 1 first, followed by Category 2, followed by Category 3).
- The income category for an applicant will be determined when the application is reviewed, prior to the lottery. If an applicant’s personal, financial or other circumstances change and it is later determined they are no longer eligible in that income category, then they shall no longer be eligible for any units that might be available during the applicable lottery drawing period.

3. **First-Time Home Buyer Affordable Housing Program Participant Exclusion List**

- Moorpark City Council, Moorpark Planning Commission, Moorpark Parks and Recreation Commission, and Moorpark Arts Commission.
- Mayor and City Council appointees including but not limited to Air Pollution Control District Advisory Committee, Area Housing Authority, Senior Center Advisory Committee, Area Agency on Aging, Citizens Transportation Advisory Committee, and Teen Council.
- All City employees in non-competitive service (management positions).
- Financial institutions participating as lenders for the Home Buyer Program.
- Developers and Developer’s General Contractor(s) for specific projects they developed or constructed that contain 1 or more affordable units.
- City contractors involved with City/Moorpark Redevelopment Agency First-Time Home Buyer Affordable Housing Program and affiliates of these City contractors, as determined by the City Manager on a case-by-case basis, which may include title and escrow companies, contractors,

subcontractors, subsidiaries, partnerships, and affiliates of these City contractors.

- Family members are excluded for all of the above-listed participant exclusions. "Family members" is defined as follows: mother, father, grandfather, grandmother, aunt, uncle, cousin, sister, brother, son, daughter, step-son, step-daughter, son-in-law, daughter-in-law, nephew, niece, grandchild, mother-in-law, father-in-law, brother-in-law, sister-in-law, spouse as defined as a partner in marriage (California Civil Code Section 4100), and domestic partner as defined by California Family Code Section 297 and including the requirement for the filing of a Declaration of Domestic Partnership with the Secretary of State.

4. Housing Pricing and Selection of Units:

- Initial Sale Price: Units will be priced based on Affordable Housing Cost for the family size appropriate to the unit (Section 50052.5(b-c and h), regardless of size of actual household:
 - 3 bedroom unit priced for a household of 4
 - 4 bedroom unit priced for a household of 5
- Resale Price – Resale price for affordable units will be based on Affordable Housing Cost at time of resale. Affordable Sales Price is not based on market price at initial sale, or at resale. (City will provide this information to homeowners in this Program on an ongoing basis.)
- Applicants will be assigned a unit in their income category based on household size, following conditional loan approval. Household size will be determined at the time of receipt of application. At its discretion, the City may assign a unit with more bedrooms than the applicant would otherwise be eligible for, if it is the last unit that is available during the applicable period of the Priority List.

5. City Staff Authority

The City Manager is authorized to execute all affordable housing project deferred loan agreement and repayment documents for all affordable housing projects for which the City will own an equity share. The City Clerk is authorized to accept interest in real estate secured by any Deed of Trust associated with this program.