



ALAMEDA COUNTY
Community Development Agency

ALAMEDA COUNTY MEASURE A1 HOUSING BOND

HOME PRESERVATION LOAN PROGRAM DRAFT IMPLEMENTATION-LEVEL POLICIES

Health Committee of the Board – June 11, 2018

Home Preservation Loan Program

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- Home Preservation Loan Program (\$45 million)
- Board adopted policy framework in June 2016
 - HCD issued an RFQ in Summer of 2017
 - RFQ results presented to the Housing and Community Development Committee in Fall of 2017
 - Contract with Habitat for Humanity East Bay/Silicon Valley (HEBSV) negotiated January – April 2018
- Board authorized contract with Habitat East Bay/Silicon Valley (HEBSV) in May 2018



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DRAFT IMPLEMENTATION-LEVEL POLICIES

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Community Outreach and Engagement

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- Research on current rehabilitation programs conducted as well as models outside County
- Feedback on possible policy options provided by agencies and organizations, including:
 - City housing staff in Alameda County
 - Direct rehabilitation program providers in Alameda County, including County's Healthy Homes Department
 - Senior service providers
 - Mortgage advisors and contractor agencies
 - ADU practitioners and policy experts

Program Highlights

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- Available Countywide
- Will serve low-income homeowners
- Will assist low-income homeowners to remain safely in their home and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions
- Deferred payment, low interest loan proposed for repayment at sale/transfer/refinance, at end of loan term, or if home is no longer owner-occupied, subject to permitted transfers
- \$45M in funds over the next 6 years
- Home must be owner-occupied
- Program administrator (HEBSV) will work closely with homeowners during rehabilitation process

Program Administrator and Homeowner Responsibilities

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Habitat's Responsibilities

- Marketing and outreach
- Application intake
- Household eligibility determination
- Home inspection process
- Scope of work preparation
- Bidding process/award of bid and notice to proceed facilitation
- Loan document preparation
- Post-rehabilitation appraised value verification
- Loan approval/loan closing
- Loan disbursement
- Construction and contractor payment Monitoring
- Notice of completion filing
- Loan servicing

Program Administrator and Homeowner Responsibilities

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Homeowner's Responsibilities

- Application submission
- Home inspection and walk-through attendance with bidding contractors with HEBSV
- Loan document execution
- Contractor selection and signing of contract
- Pre-construction meeting attendance with HEBSV
- Post-project survey completion

Eligible Households and Units

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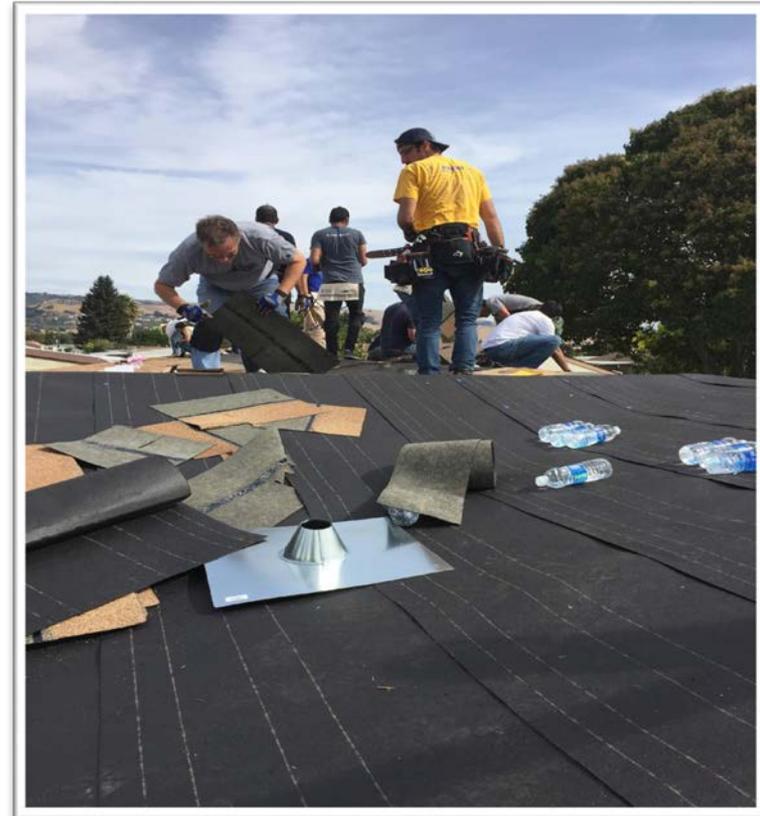
- ❑ Homeowners income-qualified at 80% of Area Median Income (AMI)
- ❑ Owner-occupied
- ❑ Single-family detached home
- ❑ Townhomes
- ❑ Condominiums
- ❑ Shared Ownership Multi-family 2-4 unit properties where all units are owner occupied



Eligible Repairs

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- ❑ Health and Safety deficiencies
- ❑ Code violations
- ❑ Amenity and general property improvements
- ❑ Accessibility improvements



Accessory Dwelling Units

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Should the program funds be allowed to create an ADU? Other considerations?

- Assistance for homeowner to add an Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU), or convert illegal unit to a legal unit.
 - Could convert existing livable space to ADU/JADU.
 - Could convert existing attached/detached space on permanent foundation (e.g., garage or cottage) to ADU/JADU Code violations.
- Not allowed for new ADU/JADU construction.
- Income from ADU/JADU might not be counted in income verification.

Proposed Loan Terms

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- Low-interest, deferred payment, silent second loan
- \$15,000 minimum loan amount
- \$150,000 maximum loan amount
- \$75,000 maximum amount that can be spent on ADU/JADU
- 30-year loan term with possible 30-year extension if homeowner is in compliance with loan terms and program requirements
- 1% simple interest rate
 - interest accrual capped at 50% of principal

Proposed Loan Terms

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- 90% combined first mortgage and HPLP loan-to-value
- Loan due and payable at:
 - Sale
 - Transfer
 - Refinance
 - End of loan term
 - If owner no longer occupies residence
- Permitted transfers that do not trigger loan repayment:
 - Surviving spouse who occupies home
 - Surviving children or former spouse if income-qualified and occupy home
- Loan assumable to buyer if they income-qualify and occupy home.

Next Steps

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- Draft Implementation-Level Policies available June 11-26th for public comment
- Continue work on Program Development Phase
 - prepare policy & procedure manual, template loan docs, program forms, etc.





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DISCUSSION

Public comments will be taken through June 26, 2018.

Comments may be submitted via email at achousingbond@acgov.org or via regular US Mail to: Jennifer Pearce, Housing and Community Development Department, 224 W. Winton Avenue, Room 108, Hayward CA, 94544.

June 11, 2018 Health Committee

Interest Rate

- Simple Interest Rate of 1% per annum proposed to provide program income back to program for future loans, while promoting marketability of program to potential applicants and placing high # of loans through 6-year program.
- Cap on interest rate accrual proposed at 50% of principal amount (would be reached after 50 years so likely not to be typically reached; however, could occur if homeowner obtains extension on 30-year term)

Amount of Loan:	\$45,000	\$45,000	\$90,000	\$90,000
Length of Time Loan Held:	15 years	15 years	30 years	30 years
Simple Interest Rate:	1.00%	2.00%	1.00%	2.00%
Loan Agreement Date:	10/15/18	10/15/18	10/15/18	10/15/18
Loan Payoff Date:	10/15/33	10/15/33	10/15/48	10/15/48
Total Number of Days Loan Held	5,479	5,479	10,958	10,958
Interest Due:	\$6,755	\$13,510	\$27,020	\$54,039
Interest as % of Original Loan Amount	15.0%	30.0%	30.0%	60.0%
Principal Due:	\$45,000	\$45,000	\$90,000	\$90,000
Total Principal Plus Accrued Interest:	\$51,755	\$58,510	\$117,020	\$144,039
Interest Accrual Cap (50%)	\$22,500	\$22,500	\$45,000	\$45,000
Total P&I Due with Capped Interest	\$67,500	\$67,500	\$135,000	\$135,000
Is Cap Exceeded?	No	No	No	Yes

Does this interest rate seem appropriate from a program operations and program goals standpoint?

Loan Repayment and Permitted Transfers

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- Loan not forgivable
- Loan principal and accrued interest due and payable at sale/transfer or refinance; at end of loan term; or if homeowner no longer owner-occupies residence
- Loan not due if to a permitted transfer
- Program Administrator may approve subordination of HPLP loan at refinance IF homeowner seeking lower interest first mortgage with no cash out

PERMITTED TRANSFERS

- Surviving spouse OK (must occupy home)
- Surviving children, or former spouse due to divorce, if low income, take title to, and occupy home
- Option to be Assumable by low-income qualified and owner-occupant purchaser

Do these repayment and permitted transfer considerations seem appropriate from a program operations and sustainability standpoint?

Leveraging and Collaboration

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- Marketing Plan under development by HEBSV; seeking ways to coordinate w/Alameda County cities on outreach
- ADU Program Component has generated strong interest from stakeholders. Working group forming during HPLP program development phase to explore opportunities for further program development and outreach.

Additional opportunities for leveraging and collaboration for us to consider as we move forward?

