



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

2

- 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



ALAMEDA COUNTY  
**Community Development Agency**

# DRAFT IMPLEMENTATION-LEVEL POLICIES

Health Committee of the Board – June 11, 2018

# Community Outreach and Engagement

4

- 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

5

- 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

6

## 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

7

## 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

8

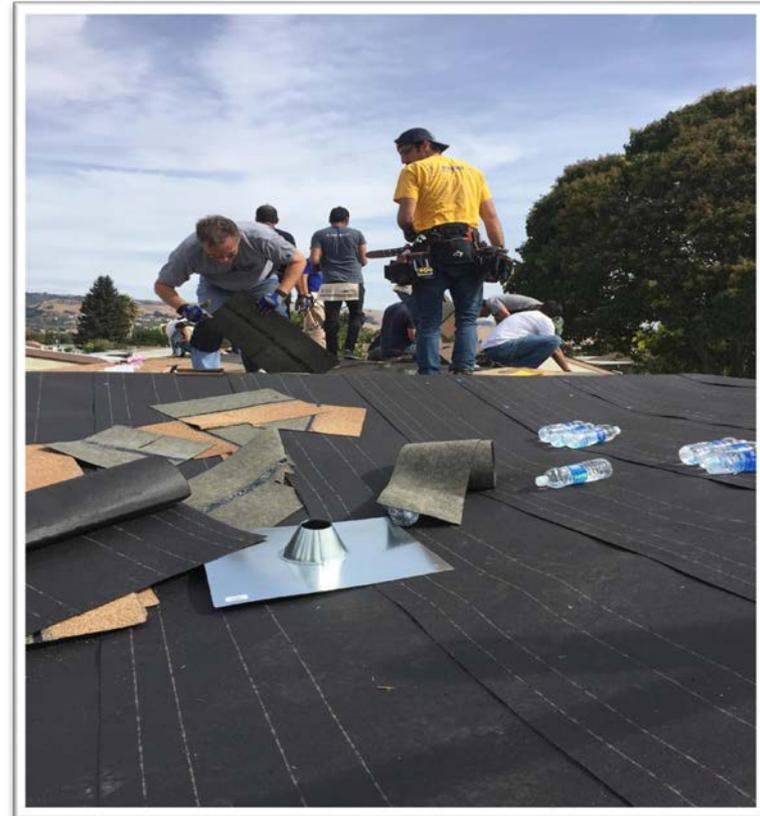
- ❑ Homeowners income-qualified at 80% of Area Median Income (AMI)
- ❑ Owner-occupied
- ❑ Single-family detached home
- ❑ Townhomes
- ❑ Condominiums
- ❑ Shared Ownership Multi-family 2-4 unit properties where all units are owner occupied



# Eligible Repairs

9

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



# Accessory Dwelling Units

10

*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

11

- 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

12

- 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

13

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





ALAMEDA COUNTY  
**Community Development Agency**

# DISCUSSION

Public comments will be taken through June 26, 2018.

Comments may be submitted via email at [achousingbond@acgov.org](mailto: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
<b>Simple Interest Rate:</b>	<b>1.00%</b>	<b>2.00%</b>	<b>1.00%</b>	<b>2.00%</b>
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
<b>Interest as % of Original Loan Amount</b>	<b>15.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>60.0%</b>
Principal Due:	\$45,000	\$45,000	\$90,000	\$90,000
<b>Total Principal Plus Accrued Interest:</b>	<b>\$51,755</b>	<b>\$58,510</b>	<b>\$117,020</b>	<b>\$144,039</b>
<b>Interest Accrual Cap (50%)</b>	<b>\$22,500</b>	<b>\$22,500</b>	<b>\$45,000</b>	<b>\$45,000</b>
<b>Total P&amp;I Due with Capped Interest</b>	<b>\$67,500</b>	<b>\$67,500</b>	<b>\$135,000</b>	<b>\$135,000</b>
<b>Is Cap Exceeded?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>

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

# Loan Repayment and Permitted Transfers

16

- 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

17

- 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?***

