

**Mayor**  
Willard Rodarmel  
**Mayor Pro Tem**  
John Plourde  
**Council Members**  
John Gordon  
John Murray  
William Siegel



**Redevelopment  
Division**

119 Fox Street  
Lemoore ♦ CA 93245  
Phone (559) 924-6701  
FAX (559) 924-9003

## Staff Report

**SS ITEM  
NO. 2**

**To: Lemoore City Council**  
**From: Brooke Austin, Housing Specialist**  
**Date: January 25, 2011**  
**Subject: CalHome Application for East Village**

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### Discussion:

The City of Lemoore has been approached by Skyline Ridge Builders a developer who is contemplating purchasing the property on the north east corner of Smith Avenue and "D" Street. In order to make a project feasible at this location, the developer would like the City to apply for \$1,500,000 in CalHome Funds from the Department of Housing and Community Development (HCD) to assist the project. The funds would initially be used as a development loan for land acquisition, predevelopment costs and on-site improvements. Upon sale of the assisted homes, the development loan is repaid and converts into homebuyer assistance loans to eligible lower income first-time homebuyers. After all homebuyers have been assisted, any remaining balance on the development loan must be repaid to HCD. If the developer has not served the number of low income households originally proposed, simple interest at six percent per annum will also be due.

For the purpose of this program, eligible buyers are those who earn less than 80% of the area median income, which is currently \$45,050 for a family of four. Assistance would be provided as gap financing to reduce monthly payments to no more than 30% of monthly income. Assistance to individual households will be in the form of deferred-payment loans of up to \$60,000 per household and payable on sale or transfer of the property, when the property ceases to be owner-occupied, or at loan maturity. This would be similar to assistance provided through the HOME First-Time Homebuyer Program; however, homebuyers would be limited to using the assistance for this particular subdivision. Funds from repaid loans must be placed in a reuse account with the City to be used for CalHome eligible activities.

The developer plans to build 81 three and four bedroom homes on the site, ranging in price from \$159,000 to \$209,000. They propose assisting 35 homeowners through the CalHome Program and the remaining 46 units would be sold with no CalHome assistance or income eligibility requirements. However, homebuyers up to the moderate income limit may still qualify for the RDA's First-Time Homebuyer Program. In an effort to provide mixed income neighborhoods, the Agency Board previously adopted a policy for the RDA Program that allows up to 25% of the homes in any new subdivision to be eligible for assistance. The proposed break down of units in this

subdivision would result in 43% of the units being assisted with CalHome assistance. If an additional 20 units (25% of 81) were assisted with the RDA Program that would result in a total of 68% of the homes being served with either program. In this scenario, a neighborhood of various income levels could be achieved with approximately 43% in the lower income level, 25% in the moderate income level and 32% in the moderate to above moderate income level.

The developer will complete the majority of the application and City staff will complete the portions relating to the City's housing and loan experience. In addition, the City is the party responsible for submitting the grant application and if awarded administering the funds for both the development loan and ultimately the homebuyer assistance loans. The source of funds for this grant comes from the sale of general obligations bonds, so there are no funds available for the local administration of the program. However, actual activity delivery expenses can be claimed, but must be included in the \$60,000 per unit limit.

If Council would like to pursue these funds, a resolution will be brought back at a future meeting to authorize submittal of the application. If the City is successful in receiving funds, construction of the homes must be completed and CalHome Program mortgage assistance loans closed within thirty-six (36) months of the award of funds by HCD. Failure to meet this deadline, including failure to provide the number of units committed in the application, will result in funds being disencumbered.

Jim Doughty from the development team will be in attendance at Tuesday afternoon's meeting to answer any questions regarding the project itself or the CalHome grant application.

**Budget Impact:**

There would be no budget impact at this time other than minimal staff time to assist in the preparation of the application. However, if successful, additional staff time will be needed to fully administer the program. Administering the program includes initially processing the development loan paperwork, a development agreement and program guidelines. Upon completion of the homes, it will include marketing the program, determining applicant eligibility, processing mortgage assistance loans, servicing the loans, maintaining a reuse account and completing quarterly and annual reports to HCD.

**Recommendation:**

That Council discuss this opportunity and direct staff whether or not to proceed with the preparation of an application.