



CITY OF POWAY

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: James L. Bowersox, City Manager

INITIATED BY: Deborah Johnson, Director of Redevelopment Services
Ingrid Alverde, Housing Program Manager
Luisa Tumini, Redevelopment Coordinator

DATE: June 8, 2004

SUBJECT: Presentation of the Development of a Poway Home Ownership Program and Recommendations from the Redevelopment and Housing Advisory Committee

BACKGROUND

On March 12, 2002, the City Council adopted the Comprehensive Affordable Housing Strategy, which identified the need for an affordable homeownership program for first-time, moderate-income buyers as part of the housing program goal to provide a continuum of housing for low and moderate-income families. Helping moderate-income buyers into homeownership supports Poway's overall economy by providing needed housing for Poway's working families while supporting upward mobility in the community.

FINDINGS

With the assistance of Affordable Housing Applications, staff conducted thorough research of county, state and national homeownership programs to identify an appropriate program structure for use in Poway. Staff presented program ideas to the Redevelopment and Housing Advisory Committee (RDHAC) and received input on program models, goals and objectives. An RDHAC Subcommittee on Homeownership was appointed to assist staff with development of a program.

The Subcommittee met various times with staff and a representative from Affordable Housing Applications to complete its review of all potential programs and develop goals

and objectives to guide program development. The Subcommittee presented its progress and recommendations to, and received input and direction from, the RDHAC at the January meeting. The Subcommittee then finalized its recommendations and presented the program to the RDHAC for final approval in April. The full Committee approved the Subcommittee's recommended program goals, objectives and structure.

The goals approved by the committee include:

- Stabilize the neighborhood with long-term residency
- Provide housing for Poway's children
- Help those that help themselves
- Provide opportunity to acquire equity commensurate with the buyer investment

Specific program objectives approved by the committee include:

- Target buyers between 80 – 120% of Area Median Income
- Assure affordability of the homes for the longest time possible
- Develop new units when possible as the gap to build a new unit is often commensurate with the cost to make an existing home affordable
- Require homebuyer education for the eligible buyers to assure buyers understand the program guidelines and understand the responsibilities of homeownership
- Provide program flexibility to work with various funding sources and development proposals
- Continuously seek additional funding from all applicable funding sources

The recommended program would offer a "silent" second mortgage to close the gap between the purchase price affordable to a moderate-income buyer and the current market price. The "silent" loan would restrict the resale of the home to another qualified buyer of the same income range as the original buyer at the time of purchase. This would assure that the home remains affordable over time. Essentially, the Agency would be purchasing a perpetual covenant to make an otherwise market rate home affordable over time. This is much like the Agency's involvement in the development of rental units in perpetuity where the Agency secures a covenant that restricts rental rates in return for financial support.

The Committee supports a system to provide preference to Poway employees and residents, with special preference provided to Safety Services employees serving Poway and eligible residents of Poway's affordable rental developments. The committee recommends that a lottery system be used to select the candidates to assure an equitable selection process as it is expected that a large number of qualified applicants will apply for a limited number of opportunities to participate. The Committee also recognizes that, as proposed, the program will provide a substantial subsidy to a limited number of families. Based on current market conditions, the subsidy required to make an average home in Poway affordable to a moderate-income buyer ranges from

\$80,000 to \$120,000 per home.

The Program's design includes a required buyer cash contribution, maximum sales prices, maximum loan amounts and income limits. Each of these program facets has been addressed to allow for modification based on market factors. The built-in flexibility of the proposed Program works to ensure long-term program viability. David Rosen and Associates participated in the program development process and supports the Committee's findings and recommendations.

Staff believes the proposed program would provide Poway's lower income residents and employees an opportunity to own a home in their community. The home prices in San Diego County, especially in Poway have reached record highs. The proposed program will assist Poway residents and their families to remain in the community.

ENVIRONMENTAL REVIEW

This item is not subject to CEQA.

FISCAL IMPACT

None.

PUBLIC NOTIFICATION AND CORRESPONDENCE

Copies of this report were sent to Redevelopment and Housing Advisory Committee members.

RECOMMENDATION

It is recommended that the City Council provide input to staff and authorize staff to complete program documents for Council's consideration.

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