



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: August 4, 2016
Board Meeting Date: December 13, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director

Subject: Down Payment Assistance Program for Employees of County of San Mateo Employees and Housing Authority of the County of San Mateo

RECOMMENDATION:

Adopt a resolution:

- A) Approving the use of \$2.2 million from START Loan Program repayments for a down payment assistance program for employees of the County of San Mateo and Housing Authority of the County of San Mateo; and
- B) Authorizing the Director of the Department of Housing, or his designee, to sign loan documents, as approved by County Counsel, with qualified borrowers.

BACKGROUND:

During the County Manager's Office discussion of the Housing White Paper on January 22, 2015, a number of policy options were presented for Board consideration as a means to address the growing housing crisis in the Bay Area. In the ensuing Board discussion, one of the Supervisors suggested a County employee down payment assistance program designed to incentivize County employees living outside the County to move into it, reducing commutes to work and lessening the resultant carbon footprint. The Department of Housing (DOH) also determined that County employees who are renting anywhere and seeking home ownership may be incentivized to purchase a home within the County, rather than outside the County, if eligible for such a program. Accordingly, DOH reviewed funding options, identified a \$2.2 million loan repayment fund from a suspended first-time homebuyer down payment assistance program as a possible funding source, and worked with San Mateo Credit Union (SMCU) to create a program that would meet the goals identified by DOH and suggested in the Board discussion.

DISCUSSION:

In the 1990s, the County created the START Down Payment Assistance Program, funded with proceeds from the sale of County-owned property. Its original intent was to provide loans to County employees for the purchase of a home. Over time the program was expanded to include non-employees and was income limited to households earning less than 80 percent of the area median income. Eventually, with home prices rising to historic levels, the program was discontinued as buyers could no longer afford the home prices

asked while still income-qualifying for the program. With interest rates falling in the last few years, many borrowers have refinanced their home loans and repaid the START loans in the process. At this time, more than \$2.2 million has been collected in repayments.

DOH has worked out an agreement with SMCU for a loan program that would combine a County down payment assistance loan with a SMCU mortgage for home purchases up to \$1.5 million for all regular employees of either the County or the Housing Authority of the County of San Mateo (HACSM) in full-time positions regardless of income who have worked at least 18 months on the job. Under the program, DOH would provide \$100,000 in down payment assistance at three percent interest (3%), deferred for five years. The first mortgage options would include a 40-year jumbo fixed portfolio product through SMCU and a 40-year hybrid portfolio loan product through SMCU, fixed for 7 or 10 years, then adjustable with 2% limit on increases per year and 5% limit on total increases. SMCU would require a 20 percent down payment, against which the County assistance would apply, meaning the buyer would have to meet the rest of the down payment requirement with their own funding. Gifts or a second mortgage through SMCU could help meet that requirement.

In addition to currently being renters anywhere or homeowners outside the County, applicants must have a minimum credit score of 680, meet a debt-to-income ratio of 47 percent and have two months principal, interest, taxes and insurance (PITI) reserves on hand at the time of closing. (SMCU has informed DOH that retirement assets could help meet that requirement). SMCU would waive \$1,295 in lender fees for all loans brought through the program. Buyers would have to find a home within San Mateo County to access the program, and that home would have to become their primary residence. Buyers moving in from outside the County would also qualify for \$5,000 in closing cost assistance provided by the County through the program. The provision of these "below-market" loans, loan fee waivers and closing cost assistance would have a taxable impact on the County, HACSM, and/or the County and HACSM employees receiving said loans and grants. DOH would perform the calculations and provide the back-up documentation necessary for the Controller's Office and the HACSM Accounting Department to prepare and process the tax documents that the Controller's Office and the HACSM Accounting Department determine are required for these transactions.

Applications for the program would be made available by DOH, and home buying workshops will be provided to those unfamiliar with the process. Applicants must first be pre-qualified for a mortgage through SMCU and then enter a lottery that would be conducted by DOH each quarter on the first workday of January, April, July, and October of 2017. Five applications would be randomly drawn, and the selected applicants would then be given three months to find a home and enter into a purchase contract. It is anticipated that a total of 20 loans will be issued over the course of the first year.

The down payment assistance loans would become immediately due and payable upon the occurrence of certain events, including the sale of the home purchased with those funds, the conversion of the home to a vacation home or rental property, the end of a buyer's employment with the County or HACSM before the end of the deferral period, or a buyer's termination from employment with the County or HACSM for cause.

This program has been vetted with County employee union representatives. This memo and resolution have been approved by County Counsel. The form of all loan documents and

the MOU with SMCU will also be approved by County Counsel.

Approval of this resolution contributes to the Shared Vision 2025 outcome as a Livable Community by making home purchases in the County more affordable to County and HACSM employees.

PERFORMANCE MEASURE(S):

Measure	FY 2016-17 Actual	FY 2017-18 Projected
Down Payment Assistance Loans	N/A	20

FISCAL IMPACT:

START Program repayments in the amount of \$2.2 million will be designated by DOH for this program. Additional funding for the program will become available as more repayments of loans under the START program are made. However, even if additional START repayments are received, the resolution accompanying this memo would only authorize the use of funds in the amount of \$2.2 million for this down payment assistance program.