



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 18-979

Board Meeting Date: 10/23/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director, Department of Housing

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

RECOMMENDATION:

Adopt a resolution:

- A) Approving the use of \$1.2 million in repayments from the START Down Payment Assistance Program as funding for the Employee Down Payment Assistance Program for employees of the County of San Mateo and the 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:

In December 2016, the Board of Supervisors approved the creation of the Employee Down Payment Assistance Program ("EDPAP"), a home down payment assistance loan program administered by the Department of Housing ("DOH") for employees of the County of San Mateo and the Housing Authority of the County of San Mateo. The purpose of EDPAP was to incentivize County employees living outside the County to move into it, reducing commutes to work and lessening the resultant carbon footprint. The Board approved the allotment of \$2.2 million in loan repayment proceeds from the now-discontinued START Down Payment Assistance Program, a down payment assistance program created by the County in the 1990s-to initially fund EDPAP.

Since the inception of EDPAP in January 2017, the DOH has successfully closed 14 loans assisting 16 employees-including two couples-in the purchase of homes in San Mateo County. Five County employees moved into the County, thus reducing their commute time and lessening their carbon footprint. Seven employees are still actively looking to purchase home with EDPAP loans, and once they have completed purchases the original funding of \$2.2 million in funds will be exhausted. DOH has identified an additional \$1.2 million in loan repayment proceeds from the discontinued START Down Payment Assistance Program which could be allotted to EDPAP in order to continue the program.

DISCUSSION:

In the 1990s, the County created the START Down Payment Assistance Program using funds from the sale of County-owned property, the original intent of which was to provide loans to County employees for the purchase of a home in the County. Over time the START program was expanded to include non-County employees, and was income limited to households earning less than 80 percent of the area median income. Eventually, the program was discontinued as income-qualified buyers could not afford the home prices due to rising property values. With interest rates falling in the last few years, however, many borrowers have refinanced their existing mortgages, the result of which is that many START loans have been repaid to the County.

DOH will continue to partner with the San Mateo Credit Union (SMCU) with a program that combines a County down payment assistance loan with a SMCU mortgage for home purchases up to \$1.5 million. 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 are eligible to apply for EDPAP. Under the program, approved applications received a \$100,000 down payment loan from DOH 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 3% 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 available for those unfamiliar with the process. Applicants must first be pre-qualified for a mortgage through SMCU, and then are entered into quarterly drawings conducted by DOH. Five applications are randomly drawn, and the selected applicants then have six months to find a home and enter into a purchase contract. It is anticipated that a total of 12 loans will be issued with the additional funding.

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 five-year 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:

Measure	FY 17-18 Actual	FY 18-19 Projected
Down Payment Assistance Loans	14	19*
*The projected includes 7 from the previous funding.		

FISCAL IMPACT:

START Program repayments in the amount of \$1.2 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 \$1.2 million for this down payment assistance program.