



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO COUNCIL**  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
**July 15, 2008**

**Honorable Mayor and Members of the City Council**

**Title: BEGIN Program Application**

**Location/Council District: Citywide**

**Recommendation:** Adopt a **City Resolution** authorizing the Interim Executive Director of the Sacramento Housing and Redevelopment Agency (SHRA) or her designee to: 1) submit applications to the California Department of Housing and Community Development (HCD) for funding under the Building Equity and Growth in Neighborhoods Program (BEGIN); 2) receive funding from HCD and administer the BEGIN Program; 3) execute Standard Agreements and all related documents necessary to participate in the BEGIN Program; 4) adopt local BEGIN Mortgage Assistance Underwriting Guidelines for administration of the program; and 5) amend Agency Budget as funds are awarded.

**Contact:** Mary L. Lyon, Assistant Director, Real Estate and Construction Services, 440-1399 ext. 1241, Carla Christian, Program Manager, 264-1524

**Presenters:** Not Applicable

**Department:** Sacramento Housing and Redevelopment Agency (SHRA)

**Description/Analysis**

**Issue:** The California Department of Housing and Community Development (HCD) recently announced a Notice of Funding Availability (NOFA) for funding under the BEGIN Program. The BEGIN Program is a homeownership program designed to make grants to qualifying cities and counties that provide incentives to reduce or remove regulatory barriers for housing developments. These grants shall be used for downpayment assistance in the form of loans to qualifying low- and moderate-income first-time homebuyers purchasing newly constructed homes in a BEGIN project. The maximum BEGIN Program homebuyer loan is up to 20 percent of the sales price.

The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost and viability of housing development. Examples of regulatory relief and project enhancements include: modification of density standards; modification of zoning standards; reduction in

BEGIN Program Applications

permit processing/regulatory costs/fees; flexible parking standards; and project design.

To be eligible for BEGIN funding, according to HCD criteria, a project must demonstrate project readiness, require regulatory relief and be ready for homebuyer occupancy within 36 months of the award of funds. A Regulatory Relief Self Scoring Sheet is completed to demonstrate regulatory relief. For HCD funding approval, projects must have a minimum of 200 points of regulatory relief to be eligible for the BEGIN Program application.

SHRA staff conducted a survey of projects and evaluated those which would meet HCD criteria. Projects being considered at this time for BEGIN applications include Del Paso Nuevo phases IV and V. Del Paso Nuevo IV and V already have BEGIN awards for half of the units. The new application will apply for the remaining units. Other projects will be evaluated as they are identified, and applications will be submitted for those projects meeting the HCD criteria. Applications may be submitted until funding has been depleted.

Please see Background, Attachment 1, for more information on the benefits and selection criteria for the BEGIN Program.

**Policy Considerations:** The actions requested in this staff report are consistent with the Agency goals of providing affordable housing opportunities to low-and moderate-income homebuyers.

**Environmental Considerations:** The proposed action consists of creation of a government funding mechanism which does not commit to any specific project which may result in potentially significant impacts on the environment. As such, the proposed action does not constitute a project under California Environmental Quality Act (CEQA) per Guidelines Section 15378(b) 4. The National Environmental Policy Act (NEPA) does not apply because no federal funding or approval is required.

**Committee/Commission Action:** At its meeting on June 25, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Dean, Fowler, Gore, Mohr, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Chan, Coriano

**Rationale for Recommendation:** Successful BEGIN applications will provide funding for homeownership assistance to low- and moderate-income homebuyers in BEGIN designated projects.

BEGIN Program Applications

**Financial Considerations:** This staff report requests authorization to apply for and accept funding under the BEGIN program for various eligible projects. The amount of each application will depend upon the number of BEGIN units in the project. The application amount will be equal to the average amount of the proposed BEGIN Program assistance per buyer times the number of BEGIN Program units. The BEGIN funds are grants to the City that will eventually revolve into a reuse account for new loans.

Because the BEGIN Program does not provide funding to the recipient for administrative expenses, the BEGIN Mortgage Assistance Underwriting Guidelines provide for a BEGIN Program fee not to exceed two and one half percent of the BEGIN loan amount to a maximum amount of \$750. Since BEGIN Program funds cannot be used to pay this fee, the borrower will pay it in escrow as part of the closing costs from other sources or their own funds. These Guidelines also provide for a BEGIN Commitment Fee from the developer. In order to secure the BEGIN funding for an identified project, the developer shall pay the Agency a commitment fee of two percent of the BEGIN funds allocated to the project. The commitment fee may be paid through escrow upon each loan closing.

**M/WBE Considerations:** The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:   
LA SHELLE DOZIER  
Interim Executive Director

Recommendation Approved:

  
RAY KERRIDGE  
City Manager

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### **Background Information:**

The BEGIN Program, a competitive homeownership grant program sponsored by the California Department of Housing and Community Development (HCD), promotes local regulatory relief and development incentives for new construction and provides downpayment assistance to buyers of these homes. SHRA, on behalf of the City, has been successful in obtaining and administering BEGIN funds for the following projects and has assisted 43 families with these funds.

1. Surreal Estates - \$244,382 –11 units completed 2006
2. Power Inn Road Project - \$596,000 – 26 units assisted 2008
3. Rio Linda/Nogales Project - \$315,850 – 6 units assisted, 4 remaining
4. Del Paso Nuevo phase IV - \$1,230,000 – 41 units awarded 2006
5. Del Paso Nuevo phase V - \$1,440,000 - 48 units awarded 2006

#### BEGIN Projects

To be eligible for BEGIN funding, a project must demonstrate readiness, require regulatory relief and be ready for homebuyer occupancy within 36 months of the award of funds.

Project readiness is evaluated by the following HCD criteria:

1. Developer shall have site control of the project property.
2. Development project budget with identified sources and uses.
3. Executed agreement with an architect or other design team.
4. Construction financing commitments.
5. Permanent financing.

Regulatory relief is evaluated by the following HCD criteria:

1. Modification of zoning, density and development standards.
2. Reduction in permit processing and procedures.
3. Reduction of parking standards.
4. Land donation and other development incentives.
5. Mitigation of fees and exactions.
6. Jurisdiction-wide regulatory relief bonus points.

#### Homebuyer Assistance

The BEGIN assistance is in the form of a deferred payment loan to the homebuyers. The maximum BEGIN Program homebuyer loan is up to 20 percent of the sales price. BEGIN Program borrowers must be low- or moderate-income households whose incomes shall not exceed 120 percent of the area median income, adjusted for family size. Homebuyers must also be first-time buyers as defined in the BEGIN Program Guidelines. Please refer to Exhibit A attached to the resolution "BEGIN Mortgage Assistance Underwriting Guidelines" for more information.

# **RESOLUTION NO. 2008 - \_\_\_\_\_**

**ADOPTED BY THE SACRAMENTO CITY COUNCIL**

**ON DATE OF**

## **AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR, ACCEPT AND ADMINISTER THE BUILDING EQUITY AND GROWTH IN NEIGHBORHOODS (BEGIN) PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO**

### **BACKGROUND**

- A. The California Department of Housing and Community Development (“HCD”) has issued a Notice of Funding Availability (“NOFA”) for the BEGIN program established by Chapter 14.5, Sections 50860 through 50866 of Part 2 of Division 31 of the Health and Safety Code (the “statute”). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature to the BEGIN program, subject to the terms and conditions of the statute and the BEGIN Program Guidelines adopted as amended by HCD on April 9, 2008.
- B. The City of Sacramento, a political subdivision of the State of California wishes to apply for and receive allocations of funds through the BEGIN Program.
- C. The City, by its agent, the Sacramento Housing and Redevelopment Agency, (“Agency”) wishes to submit applications to obtain from HCD allocations of BEGIN funds.

### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. On behalf of and in the name of the City of Sacramento, the Sacramento Housing and Redevelopment Agency is hereby authorized and directed to submit applications to HCD for the BEGIN Program in response to the NOFA.
- Section 2. The Sacramento Housing and Redevelopment Agency is authorized to receive funding from HCD in the name of the City and to administer the BEGIN program on behalf of the City.
- Section 3. The Sacramento Housing and Redevelopment Agency is authorized to execute, on behalf of the City, HCD’s Standard

Agreement and all other instruments necessary or required by HCD for participation in the BEGIN Program, as currently established in the applicable law and regulations.

Section 4. The local BEGIN Mortgage Assistance Underwriting Guidelines (Exhibit A) for use in administering the BEGIN program are hereby adopted. The Sacramento Housing and Redevelopment Agency may make technical changes to the guidelines as necessary for program implementation.

Section 5. The City hereby authorizes amendment of the Agency's annual Budget as it receives awards of BEGIN grant program awards.

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Exhibit A – BEGIN Mortgage Assistance Guidelines



# Fact Sheet

1013-7th Street, Suite 200  
SACRAMENTO, CA 95814 (916) 264-1500

## **BEGIN First-Time Homebuyer Mortgage Assistance Program 2008 PROGRAM GUIDELINES**

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BEGIN Program	The Building Equity and Growth in Neighborhoods Program (BEGIN) provides homeownership assistance to low-and moderate-income households who purchase a dwelling in a BEGIN Project. The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost of housing development.
BEGIN Projects	BEGIN Projects are projects that have received an award of BEGIN funds. The funds are awarded by the State Department of Housing and Community Development (HCD) to the City or County of Sacramento based upon specific project applications.
Form of Assistance	Assistance to the homebuyer will be in the form of a deferred payment loan.
Maximum Loan Amount	The maximum BEGIN loan is 20 percent of the sales price of the BEGIN assisted unit.
Affordable Housing Costs	The Affordable Housing Costs for BEGIN buyers is established to ensure that the housing obligation can be paid by the borrowers, along with all of their other financial responsibilities, without endangering the financial stability of the household. This ranges from 28 percent to 35 percent on the front end ratio, to 40-45 percent on the back end, or total ratio. See Housing Debt Ratio.
Interest Rate	Three percent fixed rate, simple.
Term	30 years
Max CLTV	The loan- to- value ratio for the BEGIN loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.

Repayment	<p>Homebuyer BEGIN Program loans shall have the following terms and conditions:</p> <ol style="list-style-type: none"> <li>(1) principal and interest payments shall be deferred for the term of the BEGIN Program loan;</li> <li>(2) loans shall be repayable when the property ceases to be continuously occupied by the home buyer in the first five years after the date of recordation of the deed of trust securing the BEGIN loan;</li> <li>(3) loans shall be repayable upon the BEGIN Program loan maturity date;</li> <li>(4) loans are assumable by another income-qualifying homebuyer after five years from the recordation of the BEGIN Program loan</li> </ol>
Hardship	<p>However, if it is determined by the recipient that repayment of the BEGIN Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:</p> <ol style="list-style-type: none"> <li>(1) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at zero percent additional interest), this may be offered one time, or</li> <li>(2) Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at zero percent additional interest.</li> </ol>
Refinancing	<p>Refinancing may be allowed subject to Agency subordination policy.</p>
Use of Funds	<p>Funds may be used for down payment, mortgage assistance and non-recurring closing costs.</p>
Developer Commitment Fee	<p>In order to secure the BEGIN funding for the identified project, the developer shall pay the Agency a commitment fee of two percent of the BEGIN funds allocated to the project. The commitment fee may be paid through escrow upon each loan closing.</p>
BEGIN Program Fee	<p>There will be a BEGIN Program Fee of two and one half percent of the BEGIN loan amount not to exceed \$750. Of this fee, \$75 will be required upon application with the balance paid in escrow.</p>
Eligible Households	<p>To be eligible to receive the benefits of BEGIN funding, an individual household shall:</p> <ol style="list-style-type: none"> <li>(1) Be a lower-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years or older.</li> <li>(2) Include as borrowers on the BEGIN Program promissory note all persons who will be on title to the property; and</li> </ol>

Be a first-time homebuyer and intend to occupy the home as a principal place of residence.

First-Time Home Buyer

First-time homebuyer means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with BEGIN assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer:

- (1) a displaced homemaker;
- (2) single parent;
- (3) owned a structure which was not permanently affixed to a permanent foundation or was not in compliance with state, local, or model building codes.

Household Income

The BEGIN borrower household must have a gross annual income not exceeding 120 percent of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at two and one half of the value of the asset. As of February 13, 2008, the limits are:

1-person	\$59,600
2-person	\$68,200
3-person	\$76,700
4-person	\$85,200
5-person	\$92,000
6-person	\$98,800

Eligibility vs Lender Income

For program eligibility, the total annual income includes income of all adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio

Monthly housing costs shall be no less than 28 percent of the borrower's gross monthly income and no more than 35 percent. However, with compensating factors the housing costs can exceed 35 percent but not 40percent. The total debt ratio may be determined by the lender's underwriting guidelines but in no event exceed 45 percent. On FHA insured loans, ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting

The first mortgage lender will perform the underwriting using established credit guidelines for the particular program. The Agency will provide oversight of this

	function and may require credit explanations or payoff of collections if deemed necessary and prudent.
First Mortgage Restrictions	<p data-bbox="602 210 1406 279">There may be no outstanding unpaid judgments or involuntary liens at the time the BEGIN loan is recorded.</p> <p data-bbox="602 296 1455 405">Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.</p> <p data-bbox="602 443 1455 659">The term of the loan shall be 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases balloon payments or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CalHFA financing. When using FHA funds the income limits will be based upon 115% of area median.</p>
	<p data-bbox="602 699 1390 808">Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the BEGIN lender.</p> <p data-bbox="602 846 1349 989">The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance according to the lender's requirements.</p>
Subordinate Financing	<p data-bbox="602 1024 1406 1094">Financing subordinate to the BEGIN Program loan must meet the following:</p> <ul style="list-style-type: none"> <li data-bbox="654 1098 1406 1167">(1) have fees and/or charges that are consistent with industry standards;</li> <li data-bbox="654 1171 1406 1241">(2) must not have a balloon payment due before the maturity date of the BEGIN Program loan;</li> <li data-bbox="654 1245 1406 1312">(3) must defer principal and interest payments for the term of the BEGIN Program loan</li> </ul>
Escrow Prohibitions	<p data-bbox="602 1350 1438 1530">Cash transactions and oral agreements outside of escrow are prohibited. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum downpayment.</p>
Homebuyer Education	<p data-bbox="602 1568 1406 1787">To help prepare applicants for the responsibilities of undertaking and maintaining homeownership, all applicants must complete Agency approved homebuyer education classes. These classes which shall cover the home buying process and well as property maintenance, good neighbor practices, and credit and budgeting.</p>
Maximum Sales Price	<p data-bbox="602 1824 1446 1929">The maximum allowable sales price of the assisted unit cannot exceed the HUD 203 (b) mortgage limit for the area which is currently \$580,000.</p>

## Application Procedures

To apply for the program please contact any of the lenders on the attached list. For additional information or questions call SHRA at (916) 264-1500, or visit our web site at [www.shra.org](http://www.shra.org).



**Equal Housing Opportunity**