City of Roseville Comprehensive Affordable Housing Strategy

Local Resources for Affordable Housing

City of Roseville Housing Division

Submitted by:

David Paul Rosen & Associates

1330 Broadway, Suite 937 Oakland, CA 94612-2509 510.451.2552 Admin@DRAConsultants.com 3941 Hendrix Street Irvine, CA 92614-6637 949.559.5650 Nora@DRAConsultants.com

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Local Resources for Affordable Housing

A. Financial Resources for Affordable Housing

Table 1 presents projected financial resources available for affordable housing in the City of Roseville over the five-year period from FY 2007/08 through FY 2011/12, based on information provided by City Housing Division staff.

The projected fund balance for all financial resources for affordable housing for June 30, 2007 is \$22.16 million, based on mid-year fund summaries and projected expenditures through July 2007.

1. Low and Moderate Income Housing Set-Aside Fund

Most of the City's projected housing funds are in the Redevelopment Agency's Low and Moderate Income Housing Set-Aside Fund. California Redevelopment Law (CRL) requires redevelopment agencies to set aside 20 percent of all tax increment revenues into a Low and Moderate Income Housing Fund, also commonly known as the "20 Percent Set-Aside Fund," to be used in improving and increasing the supply of housing affordable to low and moderate income individuals. Funds may be spent on very low income (less than 50 percent of area median income), low income (51 percent to 80 percent of area median income) and moderate income (81 to 120 percent of area median income) households.

Beginning January 1, 2002, Low and Moderate Income Housing Funds must be targeted to specific income levels using the regional fair share allocation, summarized below, as the benchmark (see Table 17 of the *Affordable Housing Needs Assessment*, Appendix A of this Comprehensive Affordable Housing Strategy).

Very Low Income (No more than 50% AMI)	3,048	41%
Low Income (Between 50% and 80% AMI)	2,056	28%
Moderate Income (Between 80% and 120% AMI)	2,328	31%
Total Low and Moderate Housing Needs Allocation	7,432	100%

In addition, as of January 1, 2003, under a new requirement added by AB 637, agencies must spend their Low and Moderate Income Housing Funds over the 10-year affordable housing production compliance period to assist housing for families with children in at least the same proportion that the community's population under age 65 bears to the community's total population as reported in the most recent census. Persons aged 65 years

or older comprise 14.5 percent of the City's population as of the 2000 Census (see Table 2 of the *Affordable Housing Needs Assessment*). Since January 2003 the Roseville Redevelopment Agency has used Low and Moderate Income Housing Funds to assist 75 units of senior housing with \$500,000, and 27 units of transitional housing for homeless families with another \$500,000.

The City will have an estimated fund balance of \$8.74 million in Redevelopment Set-Aside Funds on June 30, 2007. This includes approximately \$6.32 million in bond proceeds from taxable bonds issued against the flow of tax increment in the Set-Aside Fund in October 2006 and \$2.42 million from annual tax increment cash flow.

The Redevelopment Agency Set-Aside Fund (including tax increment received from RDA Flood) received \$1.27 million in FY 2006/07. Tax increment revenues to the Set-Aside Fund over the five-year projection period are based on an annual increase of 8 percent projected by Housing Division staff. This is a slower increase than has been experienced in the last several years but considered reasonable for a five-year projection given market uncertainties. Total annual tax increment is projected to increase to \$1.37 million in FY 2007/08 and to \$1.86 million by FY 2011/2012.

2. Other Local Housing Funds

The City also has a projected fund balance of \$1.9 million in the Housing Trust Fund as of June 30, 2007. The Housing Trust Fund receives 40 percent of the City's condominium conversion fee of \$5,000 per unit. The City is projected to receive \$672,000 in fees from 336 units at the Preserve at Creekside project and \$490,000 in fees from the 245 remaining units at Venu at Galleria in FY 2007/08.

The City also has the Affordable Housing Fund, which has a projected fund balance of \$1.93 million as of June 30, 2007. This fund is expected to receive \$200,000 in repayments from the Set-Aside Fund for the Highland Creek project.

The City's Home Improvement Fund has a fund balance of \$0.80 million. This fund is used as a revolving loan fund.

Because these funds do not have outside restrictions on them, the City has wide latitude in determining spending priorities for these local funds.

3. Community Development Block Grant Funds

The federal Community Development Block Grant Program provides grants to local governments for the provision of adequate housing, suitable living environments, and expanded economic opportunities for persons of low and moderate income. CDBG funds can be used for many housing activities including acquisition, relocation, demolition and clearance activities, rehabilitation, installation of utilities, and counseling and refinancing

existing debt. CDBG funds generally cannot be used directly for new construction of housing.

A minimum of 70 percent of CDBG funds must be spent on activities that benefit persons of very low income (less than 50 percent of area median income) and moderate income (51 percent to 80 percent of area median income).

Roseville is an entitlement community for the CDBG program. In FY 2006/07, the City of Roseville received \$523,124 in CDBG funds. The City does not typically spend a majority of its CDBG funds on housing.

4. HOME Funds

The federal HOME program provides state and local governments with block grants to encourage them to undertake activities and adopt policies aimed at expanding the supply of, and accessibility to, affordable housing. HOME funds may be spent on a wide range of housing activities, including acquisition, construction, reconstruction, and moderate or substantial rehabilitation. Under some circumstances, HOME funds may be used for tenant-based rental assistance. On a program-wide basis, at least 90 percent of funds used for affordable rental housing must be used for units serving households at or below 60 percent of area median income. The remainder may be used for units serving households at or below 80 percent of area median income.

The City of Roseville is not an entitlement jurisdiction for HOME Funds and must apply to the State annually for an allocation of HOME funds. The City has been funded nine of the last twelve years, with allocations averaging about \$800,000 each. Future allocations in Table 1 are estimated based on the City's recent allocation history, but are not guaranteed.

5. CalHOME Funds

The CalHOME Program of the State of California Housing and Community Development Department (HCD) provides funding to enable households with very low incomes (less than 50 percent of area median income) and low incomes (51 to 80 percent of area median income) to become or remain homeowners. Proposition 1C, passed in November 2006, provides \$290 million to continue this program.

The City has received CalHOME funding in the past. The City must apply for new funding under this program. Housing Division staff estimate that the City might be able to secure \$500,000 in CalHOME funds over the five-year projection period.

More detailed information on the CDBG, HOME and CalHOME programs are found in the report *Affordable Housing Assistance Programs*, Appendix D of this Comprehensive Affordable Housing Strategy.

B. Affordable Housing Loan Portfolio

The City of Roseville secures second mortgages on affordable homes created through the Affordable Purchase Housing Program new subdivisions and resales. These homes do not receive direct financial assistance from the City of Roseville, but are provided as affordable units through agreements with developers of the City's housing tracts towards meeting the City's 10 percent affordable housing goal.

When an affordable home is sold, the City secures a second mortgage for the difference between the affordable sales price of the home and the current market price. The City began securing second mortgages on these homes in 2003, when market values began exceeding affordable prices for new subdivisions and condominium conversions.

The City currently has 246 outstanding loans. A total of 102 loans have been paid off since 2003. The principal amount of the outstanding loans is \$19.94 million. The City has received payoffs totaling \$2.33 million, as follows:

\$ 59,000
\$ 645,523
\$1,110,743
\$ 518,643

It is impossible to predict the timing of future payoffs of the City's portfolio. However, the City's Affordable Housing Strategy should address how to plan reinvestment of these funds as they are received in the production and preservation of affordable housing.

Table 1
LOCAL RESOURCES FOR AFFORDABLE HOUSING
CITY OF ROSEVILLE
FY 2007/08 TO 2011/12

	Fund	Actual (1) Annual	Projected (1) Balance as of	Projected					Five-Year
Fund	Number	2006/07	June 30, 2007	2007/08	2008/09	2009/10	2010/11	2011/12	Total
Low/Mod Fund		2000,0	jane 50, 2007	2007,00	2000,03	20037.10	2010/11		
20% Setaside-from RDA (2)	296	\$1,063,000		\$1,148,040	\$1,239,883	\$1,339,074	\$1,446,200	\$1,561,896	\$6,735,093
20% Setaside-from RDA Flood (2)	296	\$205,750		\$222,210	\$239,987	\$259,186	\$279,921	\$302,314	\$1,303,617
Subtotal, 20 Setaside Funds (2)	296	\$1,268,750	\$2,418,474	\$1,370,250	\$1,479,870	\$1,598,260	\$1,726,120	\$1,864,210	\$8,038,710
Salaries/Op Exp & Prof Services (3)	296	(\$254,111)		(\$266,817)	(\$280,157)	(\$294,165)	(\$308,874)	(\$324,317)	(\$1,474,330
Loan Payoffs-Sutter Terrace (4)	296			\$21,101	\$21,101	\$21,101	\$21,101	\$21,101	\$105,505
Loan Payoffs-Crocker Oaks (4)	296			\$1,740	\$8,262	\$8,262	\$8,262	\$8,262	\$34,788
Loan Payoffs-Maidu III (4)	296					\$15,000	\$15,000	\$15,000	\$45,000
Repay Affordable Hsg Fund-Highland Creek	296			(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	. ,	(\$200,000
Bond Proceeds (5)	274		\$6,259,254	. , , ,	. , , ,	, ,	. , , ,		
Bond Interest Earned-4.853% (5)	274		\$177,194						
Bond Payments (5)	296		(\$114,895)	(\$522,845)	(\$447,270)	(\$443,553)	(\$444,703)	(\$445,588)	(\$2,303,959
Total Low/Mod Fund			\$8,740,027	\$553,429	\$731,806	\$854,904	\$966,907	\$1,138,668	\$4,245,714
Year End Fund Balance Before Interest/Other	Expenditure	s		\$9,293,457	\$10,025,262	\$10,880,167	\$11,847,074	\$12,985,741	
Housing Trust Fund									
Community Benefit Fees (6)	291		\$1,947,958	\$1,162,000					\$1,162,000
Affordable Housing Fund									
Affordable Housing Payoffs	290		(\$9,928)						
In Lieu Fees	290		\$1,942,341						
Repayment from Low/Mod Fund-Highland Cre			ψ.//3.2/3	\$50,000	\$50,000	\$50,000	\$50,000		\$200,000
Home Improvement Fund									
Funds Remaining from Prior Years (7)	202		\$804,267						
SURTOTAL			\$13,424,665	\$1,765,429	\$781,806	\$904,904	\$1,016,907	\$1,138,668	\$5,607,714
PROJECTIED FUND BALANCE BEFORE INTEREST/EXPENDITURES			¥ 10,12 1,000	\$15,190,095	. ,	\$16,876,805	\$17,893,712	\$19,032,379	. , ,
Community Development Block Grant (8)	260	\$523,000		\$523,000	\$523,000	\$523,000	\$523,000	\$523,000	\$2,615,000
HOME Program (9)	261			\$800,000		\$800,000		\$800,000	\$2,400,000
Cal/HOME Program (10)	262				\$500,000				\$500,000
TOTAL ANNUAL				\$3,088,429	\$1,804,806	\$2,227,904	\$1,539,907	\$2,461,668	\$11,122,714
PROJECTED FUND BALANCE, BEFORE INTER	PEST/EVDENII	DITLIDES	\$13,424,665	\$16,513,095	\$18,317,900	\$20,545,805	\$22,085,712	\$24,547,379	, -,,

Table 1 LOCAL RESOURCES FOR AFFORDABLE HOUSING CITY OF ROSEVILLE FY 2007/08 TO 2011/12

Footnotes to Table 1:

- (1) Source; Roseville Housing Division. Fund balances take into account the revenue and expense projections for 2006/07 from the Housing Division. Fund balances are per mid-year fund summaries.
- (2) Tax increment revenues are projected to increase at an 8% annual rate, per the Roseville Housing Division. The following expenditures are budgeted from the 20% Setaside Fund for FY any unspent funds will be added to the fund balance for June 30, 2007: First Time Home Buyers--\$240,000; Loans/Grants--\$1,000,000; HOME Program--\$200,000.
- (3) Projected expenses for FY 2006/07 increased 5% annually.
- (4) Per repayment agreements for these projects.
- (5) Per debt service schedule of bonds in the Offering Statement (OS) dated 10/26/06. Payment dates of 3/1 and 9/1. No accruals as of year end. Housing portion of bonds are taxable.
- (6) The Housing Trust Fund is funded from 40% of the City's condo conversion fee of \$5,000 per unit (or \$2,000 per unit).

 Assumes fees paid for Preserve at Creekside (336 units) in December, 2007, and the remaining 245 of the 258 units at Venu @ Galleria also in FY 2007/08.
- (7) The Home Improvement Fund is currently used as a revolving loan fund.
- (8) Total amount of CDBG funds based on FY 2006/06 allocation. CDBG funds may be spent on housing and other purposes.
- (9) The City must apply annually to the State for HOME funds. The City has been funded nine of the last 12 years, with allocations averaging about \$800,000. Future allocations estimated based on recent allocation history.
- (10) The City must apply for new funding under the CalHOME programs. Housing Division staff estimate the City might be able to secure \$500,000 over the projection period.

Source: Roseville Housing Division; David Paul Rosen & Associates.