



DATE: June 6, 2023

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt a Resolution: (1) Authorizing the Reallocation of \$2 Million in American Rescue Plan Act of 2021 (ARPA) Funds for a Down Payment Assistance (DPA) Program; and (2) Authorizing the City Manager to Execute Loan Documents and Administer the Loans Including Subordinating, Extending, or Modifying Repayment Terms to Provide Down Payment Assistance Loans in an Amount Not-to-Exceed \$300,000 per Loan

RECOMMENDATION

That the City Council adopts a resolution: (1) Authorizing the reallocation of \$2 million in American Rescue Plan Act of 2021 (ARPA) funds for a down payment assistance program; and (2) Authorizing the City Manager to execute loan documents and administer the loans including subordinating, extending or modifying repayment terms to provide down payment assistance loans in an amount not-to-exceed \$300,000 per loan.

SUMMARY

On April 25, 2023, the Council directed staff to reallocate \$2 million of remaining housing American Rescue Plan Act of 2021 (ARPA) funds to provide downpayment assistance. The purpose of this report is to request authorization to provide down payment assistance loans to low-income, first-time homebuyers. Preference will be given to applicants that either live or work in the City of Hayward. The proposed down payment assistance program would provide shared appreciation loans (requiring no monthly payments) up to \$300,000 per loan. If an investor can be identified for the social impact bonds program, which would use bond proceeds to acquire and rehabilitate tax defaulted, vacant or blighted properties and turn them into affordable housing opportunities, the down payment assistance may be paired with this program.

BACKGROUND

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under ARPA.¹ On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan which included \$4.25 million for housing programs.² All funds awarded through ARPA must be obligated no later than December 31, 2024. Of the ARPA funded programs approved by City Council, staff have implemented the foreclosure prevention, emergency relocation assistance and legal assistance for tenants programs.

On March 2, 2023 and April 25, 2023, staff brought work session items to the Homelessness-Housing Task Force (HHTF) and City Council respectively with a recommendation for reallocating the remaining housing ARPA funding.^{3,4} Members of both HHTF and City Council expressed support and direction to reallocate \$2 million of the remaining housing ARPA funds to establish a downpayment assistance program and revolving loan fund to assist both current and future low-income homebuyers.

DISCUSSION

The ARPA funds are intended to be used to help the community recover from the impacts of COVID-19. Analysis shows that communities of color disproportionately experienced negative financial and physical impacts from the pandemic. The focus of the City ARPA housing programs included helping people retain or build wealth and piloting a program to create housing opportunities from properties typically acquired by investors.

On April 25, 2023, City Council held a work session to discuss potential uses of the remaining \$2 million housing ARPA funds and directed staff to use the remaining ARPA funds for a down payment assistance program and to pair it with a social impact bonds (SIB) program if an investor can be identified. The SIB program would use bond proceeds to convert distressed, vacant, and blighted properties to affordable homeownership opportunities for low- and moderate-income households. Staff are working with non-profit partners to identify an investor for the SIB program and intend to return to Council to seek authorization for the SIB program in mid-August. The purpose of this report is to seek authorization for the down

¹ April 27, 2021, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4923169&GUID=F3B939CF-3D97-4F0A-A5AE-8F3A12255314>

² July 13, 2021, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028015&GUID=E0215022-6A47-486F-81C4-9BFB2583AE10>

³ March 2, 2023, Homelessness-Housing Task Force Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6043172&GUID=829241C4-A440-48BA-BED7-CDDAE2CA39DC>

⁴ April 25, 2023, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6179356&GUID=789DB89F-7A43-4CCF-B171-26767CDB104F>

payment assistance program to ensure the City can meet the deadline to obligate ARPA funds in the event an investor is not identified for the SIB program.

Down Payment Assistance Program

Down payment assistance is one tool to address barriers to homeownership and to help mitigate the racial wealth divide. The proposed down payment assistance program would provide a shared appreciation, down payment assistance loan in an amount not to exceed \$300,000. To be eligible, borrowers must be low-income, first-time homebuyers, and preference will be given to applicants that either live or work in the City of Hayward. These criteria are further explained below.

Maximum Loan Amount. Staff estimates that based on low-income limits and current interest rates, a low-income buyer may require up to \$300,000 to purchase a home at or below the current median sales prices (\$635,000 for a condo, \$837,500 for a detached single family home).^{5,6}

Shared Appreciation Loan. The shared appreciation model helps extend purchase capacity and provides the most stability in changing housing markets. At the end of the loan term or if the borrower sells, rents, or transfers the home, the borrower would pay the City the principal amount plus a share of appreciation. The City’s share of appreciation is based on the City’s proportional contribution to the purchase transaction.

First Time Homebuyer. Includes borrower(s) who have not had any ownership interest in a residential unit for the last three years. Some exceptions may apply consistent with California Department of Housing and Community Development’s definition of first-time homebuyer.

Low-Income. Income eligibility is relative to household size. *Table 1* provides the incomes for households at low-income levels.

Table 1. 2023 U.S. Department of Housing and Urban Development (HUD) Income Limits

Household Size	1	2	3	4	5
Low Income 80% AMI	78,550	89,750	100,950	112,150	121,150

Use of Loan Proceeds. To ensure that the remaining \$2 million of housing ARPA funds assist future households, staff recommends establishing the program as a revolving loan fund where any loan proceeds could be provided as downpayment assistance to future eligible households.

As presented to City Council on April 25, 2023, staff intends to pair the down payment assistance program with a SIB program but if an investor is not identified and the SIB program

⁵ BAYEAST Association of Realtors Market Activity Summary Hayward – Attached Single-Family Home: https://bayeast.org/wp-content/uploads/hayward_attached.pdf

⁶ BAYEAST Association of Realtors Market Activity Summary Hayward – Detached Single-Family Home: https://bayeast.org/wp-content/uploads/hayward_detached.pdf

is not implemented, staff will implement the down payment assistance program to be used with properties sold on the open market in order to meet the deadline to obligate ARPA funds.

Conclusion

Homeownership has long been recognized as a primary pathway to wealth creation and a down payment assistance program can help historically disadvantaged groups such as low-income households, minorities, and first-time homebuyers, build equity and narrow the wealth gap. This can have long-term positive effects on generational wealth and economic mobility in line with the intent of the originally proposed ARPA housing programs. Staff recommends reallocating \$2 million in ARPA funds to establish a revolving loan fund for a down payment assistance program.

ECONOMIC IMPACT

There is no immediate economic impact with the consideration of this report.

FISCAL IMPACT

This item has no impact on the City's General Fund. The down payment assistance program would be funded by the reallocation of a portion of unspent ARPA funds designated for housing programs.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. The purpose of the Preserve, Protect & Produce Housing Initiative is to house and support people experiencing homelessness, incentivize housing production for all and protect the affordability of existing housing. This item replaces the following goals and objectives:

Objective H11g: Wealth Building/Universal Income Program

PUBLIC CONTACT

Staff received a public comment in support of the down payment assistance programs at the April 25, 2023 City Council meeting.

NEXT STEPS

Staff will continue to work with the City's non-profit partners to find an investor for the SIB program. If an investor is available, staff will return to City Council in mid-August for authorization. Even if an investor cannot be found for the SIB program, staff anticipates the implementation of the down payment assistance program in the third quarter of 2024 if the down payment assistance program is approved by Council.

Prepared by: Doris Tang, Management Analyst

Recommended by: Christina Morales, Housing Manager
Dustin Claussen, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', with a long horizontal stroke extending to the right.

Kelly McAdoo, City Manager