

CITY OF HERCULES AFFORDABLE HOUSING PROGRAM

ANNUAL REPORT JULY 1, 2009 to JUNE 30, 2010

I. BACKGROUND

Resolution No. 01-51 was initially adopted by the City Council of the City of Hercules authorizing the implementation of an Affordable Housing Program (AHP) to serve low-to-moderate income residents. In April of 2004, the City Council, upon recommendation of the City Planning Commission, adopted and approved the current Program. As the Program evolved and the Affordable Housing Industry has adapted to market conditions, the City Council has approved modifications to the historic programs and approved the implementation of new programs.

II. OVERVIEW

The City of Hercules and Redevelopment Agency of the City of Hercules consider the Affordable Housing Program as the main vehicle that will assist in the delivery of a comprehensive program to address the many needs of very-low-to-moderate income individuals/families/households, relative to achieving homeownership and existing housing inventory preservation. Under its current structure the program focuses its efforts in three main areas 1) homeownership opportunities (including purchase and retention); 2) preservation and rehabilitation and community beautification of existing housing stock; and, 3) education and counseling for would be homeowners.

III. PROGRAM OBJECTIVE

To assist prospective homebuyers achieve and retain homeownership, and to assist current homeowners in the retention, preservation and rehabilitation of their existing homes, which includes addressing safety issues.

IV. CLIENTS

Any individual, family or household aspiring to purchase a home within the City of Hercules or attempting to preserve and/or rehabilitate their existing home, whose household income does not exceed 120% of the county median income for Contra Costa County, as defined by the United States Department of Housing and Urban Development (HUD) and the State of California Department of Housing and Community Development (HCD).

V. SERVICE DELIVERY AREA

The service area consists of the corporate boundaries of the City of Hercules.

VI. BARRIERS

The Affordable Housing Program was developed with and continues to evolve around the understanding that its major goal is to help qualified individuals and families overcome the common barriers to homeownership, preservation and rehabilitation of their Hercules homes. These barriers are:

Financial: Money Management, Down Payment Accumulation, Budgeting for Homeowners, Default and Foreclosure prevention, complying with new lender restrictions.

Credit: Lack of credit, improper credit, bad credit, failure to re-establish credit, proper use of credit.

Education: Buyers' and owners' limited knowledge and understanding of many issues regarding the purchase and maintenance of a home.

VII. SERVICES

Individuals, families and households are provided with services to achieve homeownership and to preserve existing housing stock. Two primary services include:

COUNSELING:

1-on-1 Sessions: (Financial Literacy)

Personalized 1-on-1 Sessions were implemented in the 2009-2010 Fiscal Year as part of the clients' requirement to participate in the homeownership program. During this session, staff and clients will discuss the clients' overall financial situation. This includes creating a monthly budget, debt management, credit review, and the projected expenses the client will realize once they achieve homeownership. The 1-on-1 setting affords clients with the opportunity to go over any questions they may have regarding the program and application process.

A total of **thirty-one (31)** clients completed the 1-on-1 session this fiscal year.

EDUCATION:

Program Orientation:

The Program Orientation is a 2 hour information session during which potential clients and professionals are provided with an overview of the guidelines and procedures for the homeownership programs. This review includes the terms and conditions of the First Time Homebuyer, Citywide Incentive, and Inclusionary Programs. The application process and requirements to participate are discussed during the Orientation. The program also invites

professionals in the field to present information to potential homebuyers.

A total of **three (3)** Orientations were held during this fiscal year, to which **fifty-nine (59)** households attended.

Homebuyer Education Class (First-Time Homebuyers):

The Homebuyer Education Class is a required component, during which the clients/potential homebuyers are exposed to all details related to the process of buying and retaining a home. Clients are provided with a review of the role of professional service providers involved in the purchase of a home (realtor, broker/lender, title officer, escrow agent, etc.), educated regarding the different types of loan vehicles and options, credit, home insurance, and presented with how this process will coincide with their participation in the City's Programs.

A total of **three (3)** classes were held during this fiscal year, to which **thirty-four (34)** households successfully attended and completed the course.

VIII. PROGRAMS

A. The following programs were offered to low and moderate-income households:

OWNERSHIP:

First-Time Homebuyer Program: **Eleven (11)** households achieved homeownership with the assistance of this program. A total of **\$625,750** of assistance was provided. The private sector provided over **\$2,299,917** dollars of capital in the form of mortgage loans to first-time homebuyers.

Citywide Employee Incentive Program: **One (1)** household (a teacher) was assisted with this program to purchase a home. A total of **\$35,000** of assistance was provided.

REHABILITATION (Preservation and Safety):

Revitalization and Beautification Program: **One (1)** household was approved to receive assistance from the program. A total of **\$25,000** has been committed to rehabilitate this home.

Gas Shut-Off Valve (Safety and Code Compliance): This fiscal year the AHP has continued to qualify Hercules residents who meet the income guidelines for this program and installing safety shut-off valves. This installation is free of charge to those who qualify, and \$88.00 to those who do not. The AHP continued to install the Shut-off Valves in the Bay Pointe

Home Owners' Association area. This year 74 gas valves were installed at Bay Point and four (4) were installed citywide, for a total of 78 for the fiscal year. There have been 255 valves installed at the Bay Pointe Community to date. Since the re-start of this program in 07/2005, 451 valves have been installed citywide.

Quick-Fix Program: This program has been approved to assist homeowners in beautifying the front of their home, adding to the overall aesthetics of the neighborhood. No requests were received during this past fiscal year.

HMU Reduced Utility Rate Program: (Offered to the very-low and extremely low income HMU clients only): **Four (4)** households—two (2) of which are located in the Samara Terrace Senior housing complex—were approved by the Affordable Housing Program this fiscal year. A total of twenty-eight (28) households are currently receiving the reduced rate. This program reduces the rate from 0.138 to 0.08316 per kilowatt hour.

Community Pride and Neighborhood Clean-up Program: This program was designed to add curb appeal, maintain and increase property values, address code compliance issues, build neighborhood pride, and cultivate a relationship between the City and its residents.

In November of 2009, the City of Hercules Program was recognized by the National League of Cities as a finalist for the Award for Municipal Excellence. This fiscal year, the Program has again been nominated for inclusion in the selection for the Award for Municipal Excellence.

The AHP has continued to coordinate and oversee each of the Clean-up events. During this fiscal year, the program completed **five (5) zones throughout the City**—Zones 6-10. These zones included: Violet Road, Tulip Street, Lilac Circle, Hollyhock Court, Bellflower Court, Orchid Court, Lupine Road, Dogwood Court, Ironwood Court, Tamarack Court, Olive Court, Chestnut Drive, Toyon Court, Alder Court, Pepperwood Street, Redwood Road, Mesquite Court, juniper Court, Aspen Court, Catalpa Court, Cedar Court, fir Court, Poplar Court, Sequoia Road, Manzanita Place, and Nutmeg Court.

The Community Pride and Neighborhood Clean-up Program has continued to be a great community success. The Program has been augmented by many community and staff volunteers most notably being the continued support by the Hercules Police Explorer Program.

2008-2009 FY
238 Households Served
48.1 Tons Removed

2009-2010 FY
535 Households Served
67.72 Tons Removed

B. The following programs were offered to households who originally participated in the City’s First Time Homebuyer Program:

Loss Mitigation Program: This program has been implemented to help struggling homebuyers retain of their homes. The total expenditure for this period was **\$671,571.24**.

Purchases: **Four (4)** homes were purchased by the City from program participants facing foreclosure. Two (2) of these properties are currently being rented, and two (2) are being rehabilitated to be re-sold to newly qualified first time homebuyers. Two (2) of the homes previously purchased by the agency were sold to qualified buyers.

C. The following program was offered to Hercules residents with two (2) or more mailboxes in a cluster to prevent mail theft and ultimately identity theft:

Secure Mailbox Program: This fiscal year the City Council approved funding for the installation of Phase 5 (266 Mailboxes) and Phase 6 (411 Mailboxes). A total of **368** Secure Mailboxes were installed this fiscal year, and **1077** have been installed to date. In addition to assisting individual residents in these two Phases, the program has also installed mailboxes for a Home Owners’ Association (Foxboro Heights), which comprised the majority of the mailbox installations of Phase #6. The mailbox installations for Phase 6 are a quarter of the way complete, and will continue during the 2010-2011 fiscal year, until completed. These secure mailboxes have helped to prevent theft of mail and ultimately, identify theft and fraud.

D. The following program was offered to Businesses within the limits of the City:

Business Development and Financial Assistance Program: **Four (4)** businesses were assisted with this program during the fiscal year, totaling **\$255,000** in assistance.

IX. ANNUAL COMPLIANCE

All program participants are required to provide information necessary to comply with program guidelines. The AHP manages the intake of these documents to evaluate if each household is complying with the restrictions outlined in their agreement with the City. Information reviewed includes the following:

FTHB/CITYWIDE/INCLUSIONARY/REHABILITATION/LOSS MITIGATION PROGRAMS

1. Signed Affidavit of Residency
2. Completed Update Form with current employment and phone numbers
3. Proof of property insurance

4. Paid property taxes
5. Paid HOA fees
6. Recent mortgage statement with primary lender
7. \$29.00 processing fee

As AHP continues to review incoming documentation, there have been 98 program participants re-certified to date out of a total of 125 to complete.

BDLP PROGRAM

1. Proof of insurance of collateral property
2. Completed Update Form with current contact information
3. Signed Affidavit of Business Ownership
4. Paid property taxes on collateral property
5. Recent mortgage statement with primary lender on collateral property
6. Copy of renewed Business License
7. Copy of most recent Business Card

There have been 12 program participants re-certified to date out of a total of 20 to complete.

HMU REDUCED RATE PROGRAM

1. Proof of income
2. Signed Affidavit of Residency
3. Completed Update Form with current contact information

There have been 23 program participants re-certified to date out of a total of 24 to complete.

The AHP staff will continue to re-certify participants during the first month of the 2010-2011 fiscal year, until all re-certifications are complete.

X. HOUSING DEVELOPMENT

The AHP staff continues to oversee the Sycamore North construction project. The oversight focuses on:

1. Project Management (in partnership with Project Manager, Equity Community Builders and the Construction Manager At-Risk, Oliver & Company)
2. Financial Tracking and Payment Processing

We are optimistic in reporting at this stage that construction is currently about \$4,000,000 under budget.

To date AHP has started an interest list of applicants wanting to purchase or lease the units being built. A total of **635** interested parties are on the list.

On May 23, 2010 an Orientation was held for the interested parties. Speakers and presenters included the City Manager / Executive Director, Project Architect, Project Manager,

Construction Manager At-risk, Wells Fargo Bank, credit repair representative, and the Affordable Housing Staff.

XI. PARTNERSHIPS

Overall program success has continually been achieved by the establishment of partnerships with agencies that share a common purpose and vision as it relates to delivering affordable housing opportunities to low and moderate-income households. Some of these partnerships include:

1. State of California Department of Housing and Community Development (HCD)

A. BEGIN: (Building Equity and Growth In Neighborhoods) (Total: \$720,000.00)

In May, 2008 the AHP submitted an application for additional funding totaling \$720,000 to assist homebuyers purchasing units in the upcoming Sycamore North Project. The application was approved by the state and these funds have now been secured. The funding will be used to help qualified applicants in the purchase of their homes. Staff has continued to submit quarterly status reports regarding Sycamore North to HCD to comply with the Grant Program's reporting requirements.

B. Income Limits:

The AHP continues to use the Income Limits set annually by the State for Contra Costa County to qualify clients to participate in the City's Affordable Housing Programs.

2. California Housing Finance Agency (CalHFA)

A. HELP/RDLP: (Housing Enabled by Local Partnerships)/ (Residential Development Loan Programs) (Total: \$5,350,000.00)

A combined \$5.35 million dollars in competitive loan funds have been spent to date. These funds were awarded to assist with the development of an affordable housing and mixed-use project within the Central Quarter District of the Central Hercules Plan (The Sycamore North Project).

B. Subordinate Mortgage Assistance Program:

The AHP recently obtained re-approval to participate as a second mortgage lender under the Cal HFA program. This cooperative effort provides low to moderate-income first

time buyers with layered financing to achieve homeownership.

XII. MARKETING/ADVERTISING/OUTREACH

In order to promote programs/services and activities to the community, the following types of vehicles were utilized:

Printed Media: Produced and distributed flyers, correspondence, etc.

Electronic Media: All Program information and applications are available and continually updated on the City's website.

Local Cable: Programs are promoted on the local cable channel.

Outreach: Presentation and printed materials were distributed to/at Hercules Chamber of Commerce, Orientation meetings held with local realtors and lenders, City of Hercules Cultural Festival, City of Hercules Community Update, and each Neighborhood Clean-Up.

DATA MANAGEMENT:

Data Management is provided in the following areas:

Applications: a total of **287** applications were received and processed.

Portfolio Management: The Program loan portfolio has a total value of **\$9,289,016.02** million.

XIII. ACTIVITY

Table 1 provides an overview of activity within the Affordable Housing Program over the period between July 1, 2009 and June 30, 2010.

XIV. CONCLUSION

In reviewing the documents and activity of the Affordable Housing Program over the past fiscal year, the measurable level of success in achieving program goals is clear. The following provides a preview of those areas that will continue to enhance and/or challenge the program.

Program Growth:

As the program moves into its seventh (7th) full year of operation we anticipate that all activity areas will continue to grow and mature. We expect continued vigilance in assisting Hercules families navigate these turbulent financial times and hopefully retain their homes. We also expect to take the lessons from these experiences and apply the learning to new homebuyers to enhance their knowledge as they begin the process of buying their first home.

Sycamore Downtown Street Development has proven to be a very large but manageable project. The Affordable Housing staff has managed writing grant proposals, competitive loan application

writing and submission, pre-development activities, construction budget preparation, and the development of in-house project and fiscal management control systems for Sycamore. We are now expanding this focus on the preparation of a comprehensive affordable housing plan for Sycamore to include: Lease-to-own, Below Market Rate Sales and “at about” Market Rate Sales of the 96 condominium units. The outreach and marketing has already begun and we anticipate that the interest in living at Sycamore will only increase over the next 6-months.

We anticipate that the completed development will be delivered on time and under budget.