



CITY COUNCIL STAFF REPORT



March 1, 2022

ITEM TITLE

First-Time Homebuyer Program: Authorize City Manager to Execute Agreement Between the City of Chula Vista and the San Diego Housing Commission for the Management and Implementation of a First-Time Homebuyer Program and Appropriate Funds for that Purpose

Report Number: 22-0038

Location: No specific geographic location

Department: Development Services

Environmental Notice: This activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act (“CEQA”) State Guidelines; therefore, pursuant to State Guidelines 15060 (c)(3) no environmental review is required. Under the National Environmental Policy Act (“NEPA”), the activity qualifies for a Categorical Exclusions Not Subject to §58.5 per 24 CFR 58.35(b)(5).

Recommended Action

Approve a resolution (1) authorizing the city manager to execute an agreement and necessary amendments, as needed, for Consultant Services between the San Diego Housing Commission and the City of Chula Vista to administer a First-Time Homebuyer Assistance Program; (2) authorizing the purchasing agent to execute four one-year options to extend; (3) authorizing the director of development services or designee to execute or amend any and all First-Time Homebuyer loan documents; and (4) appropriating available housing funds needed for program implementation. **(4/5 Vote Required)**

SUMMARY

The City of Chula Vista (“City”) issued a Request for Proposals (“RFP”) for the management of the City’s First-Time Homebuyer Assistance Program (the “FTHB” or “Program”) through the City’s Planet Bids system. Two responses were received by the deadline. Staff recommends awarding the contract to San Diego Housing Commission (“SDHC”) due to their vast experience in homebuyer education, counseling, homebuyer assistance, community outreach since the 1990s, and management of a number of FTHB programs within the County of San Diego.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activities for compliance with CEQA and NEPA. The proposed activities are not considered “Projects” as defined under Section 15378 of the State CEQA Guidelines because the action consists of a governmental funding mechanism or governmental fiscal activity, is not site specific, and will not result in a direct or indirect physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, this activity is not subject to CEQA.

Under the National Environmental Policy Act (“NEPA”), the activity qualifies for a Categorical Exclusions Not Subject to §58.5 per 24 CFR 58.35(b)(5).

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

On December 8, 2021, the Housing Advisory Commission was provided with an informational presentation.

DISCUSSION

As part of its commitment to provide homeownership opportunities to its residents, the City has continuously funded various types of FTHB programs, funded through the federal HOME Investment Partnership Program (“HOME”) Program, Cal-Home funds from the State of California and the City’s Balanced Communities Program. The goal of the City’s FTHB program is to provide assistance with gap financing to eligible low-income first-time homebuyers earning at or below 80% of the Area Median Income, currently \$97,000 for a family of four.

Administration of an FTHB requires specialized knowledge in loan underwriting and lending practices. From 2007 through 2018, the City has contracted with a third-party administrator for these services. By contracting out for these services, the City provides cost and time-effective program delivery and assistance from qualified and experienced third-party professionals in this highly specialized field. The program was placed on hold in 2018 due to lack of funding. However, due to increases in the number of loan payoffs and allocation of HOME funds, the City started the Consultant selection process in order to relaunch the Program.

Consultant Selection Process

On March 12, 2021, an RFQ (RFQ Q13-20-21) was issued for agencies interested in administrating the FTBH on behalf of the City. Although 101 parties downloaded a copy of the RFQ through the City’s Planet Bids, eight (8) agencies submitted proposals for housing related services (2 specific to FTHB) by the deadline. Proposal evaluations were completed in accordance with the applicable provisions of the Chula Vista Municipal Code including policies, procedures, and guidelines contained in the Chula Vista Municipal Code Section 2.56.110. Proposal review and scoring was based on the best value selection process outlined in the RFQ, which emphasized qualifications scored based on four main components: 1) ability of business to provide the desired services; 2) relevant skills; 3) experience; and 4) availability of key personnel, quality of relevant references, and cost. The City’s Selection Committee selected the SDHC as the top ranked proposal.

SDHC as the Administrator

SDHC is a quasi-governmental agency of the City of San Diego, which provides a full range of housing services. They offer homebuyer loans, as well as homebuyer education and counseling to lower income, first-time homebuyers. SDHC has vast experience in homebuyer education, counseling, homebuyer assistance, and community outreach. They provide FTHB services on behalf of the County of San Diego and its HOME Investment Partnership Act Consortium cities and areas that includes the Urban County and the Cities of

Carlsbad, Coronado, Del Mar, Encinitas, Imperial Beach, La Mesa, Lemon Grove, Poway, San Marcos, Santee, Solana Beach, and Vista. SDHC has managed its own FTHB since 1990 on behalf of the City of San Diego and has managed the County’s Program since late 2014. SDHC is also located in San Diego County with offices near public transit.

SDHC will serve as the City’s underwriter and will work with certified lender partners. SDHC’s scope of services includes reviewing applications and assisting borrowers with the loan application process, reviewing borrowers for eligibility and compliance, preparing loan documents using City templates and coordinating with City staff for escrow loan closing.

City Council Action

This action authorizes the City Manager to enter into a contract with the SDHC to cover the administration costs for the first year of the FTHB Program with options to extend the agreement. Table 1 below provides the project costs assuming 12 loans are funded by SDHC. Based on the existing fund balance of \$3.7 million, we have funding to provide an estimated twenty-eight (28) loans with an assistance level of up to \$120,000 per borrower. City loan terms consist of a silent second (deferred) loan with a thirty-year repayment term and a three percent interest rate. Borrowers are required to contribute three percent of the purchase price. SDHC will be utilizing the available fund balance from the City’s homebuyer portfolio that consist of loan payoffs from the Balanced Communities, Cal-Home, and HOME Programs, and new or existing allocations. It also authorizes up to four (4) additional one-year options based on available fund balance. The goal is to add funding to the FTHB program using loan payoffs from the existing loan portfolio though the budget process. Table 2 provides the requesting funding appropriations and allocations.

**Table 1
SDHC Annual Contract Costs**

Line Item	Amount	# of Loans	Total
Loan Underwriting	\$1,800.00	12	\$21,600.00
Annual Fee			\$ 5,000.00
Set Up Fee			\$ 7,500.00
Total			\$34,100.00

**Table 2
Appropriations and Allocations**

Program	Funding Source	Total Appropriation/Allocation
Balanced Communities Program (City)	City Repayments and Unallocated Funding	\$1,636,509.62
Cal-Home (State HCD)	Cal-Home Loan Repayments	\$254,497.58
HOME Investment Partnership Act (CPD-HUD)	HOME Loan Repayments and Funds Allocated per Reso-2021-112	\$1,286,614.45
Total		\$3,177,621.65

It is anticipated with approval of this item SDHC will begin assisting residents beginning April 2022.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council and the Housing Authority members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.). Staff is not independently aware and has not been informed by any [Insert appropriate legislative body name] member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There is no current year fiscal year impact to the General Fund with this action. All payments for Consultant's services will be from the funds available for this program.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the City's General Fund with this action. All costs associated with the program are covered by respective funds.

ATTACHMENTS

None.

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