



CITY OF MENIFEE

SUBJECT: Increase to the First Time Homebuyer Down Payment Assistance Program

MEETING DATE: June 21, 2023

TO: Mayor and City Council

PREPARED BY: Edna I. Lebrón, Senior Management Analyst

REVIEWED BY: Cheryl Kitzerow, Community Development Director

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a resolution to increase the First Time Homebuyer Assistance Program amount up to \$100,000 for the Permanent Local Housing Allocation Program and direct staff to update the necessary documents for the Program.

DISCUSSION

In 2017, Governor Jerry Brown signed a 15-bill housing package aimed at addressing the State's housing shortage and high housing costs. Specifically, it included the Building Homes and Jobs Act of 2017 (SB 2), which established a \$75 recording fee on documents for certain real estate transactions, designed to generate ongoing revenues to increase the supply of affordable homes in California. Because the number of real estate transactions recorded in each county will vary from year-to-year, the revenues collected will fluctuate. The legislation directs the California Department of Housing and Community Development (HCD) to use 70% of the revenue collected, beginning in Calendar Year 2019, to provide financial assistance to local governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. The Program is referred to as the Permanent Local Housing Allocation (PLHA) Program.

On July 15, 2020, City Council authorized staff to apply for PLHA funds and approved a five-year expenditure plan of the PLHA Program formula allocation of an estimated \$1.2 million from HCD. In addition, PLHA funds were approved for the Homeownership opportunities, including, but not limited to, down payment assistance. The Down Payment Assistance Program was approved to provide low-and moderate-income, first-time homebuyers with a no-interest, deferred payment loan of up to \$15,000 for down payment assistance or closing costs. In doing so, the Program

would allow the City to continue to create and protect strong sustainable neighborhoods that encourage and facilitate the path to homeownership for residents.

Due to the rise in home prices and interest rates, staff have been unsuccessful in qualifying a homebuyer at 80% of AMI with the \$15,000 down payment amount. According to Zillow, the average home price in Menifee is \$537,000, and Redfin's reported average is \$525,000. The average price increase, combined with a rise in interest rates, has dramatically increased the household's income to qualify for a standard first mortgage. To expedite the funds' distribution and better assist the low-and moderate-income applicants with their first home purchase, staff recommends increasing the down payment up to \$100,000 with a 30-year deferred payment. This is comparable to other jurisdictions providing similar first-time homebuyer programs and acceptable to HCD for the use of the PLHA funds.

STRATEGIC PLAN OBJECTIVE

Thriving Economy

FISCAL IMPACT

There is no fiscal impact on the General Fund, the City's PLHA Program will be fully grant-funded and allocated through HCD.

ATTACHMENTS

1. Resolution