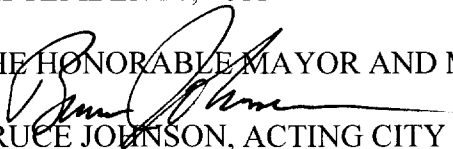


City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 20, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: RATIFICATION OF SUBMISSION OF AN APPLICATION TO THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY (VHDA) FOR A SET-ASIDE ALLOCATION OF FUNDING THROUGH THE COMMUNITY HOMEOWNERSHIP REVITALIZATION PROGRAM

ISSUE: Ratification of submission of an application to the Virginia Housing Development Authority (VHDA) for a set-aside allocation of funding through the Community Homeownership Revitalization Program (CHRP).

RECOMMENDATION: That City Council ratify the submission of an application to VHDA for a total of \$900,000 in CHRP program funding to provide first-trust, low-interest, mortgage financing for eligible participants in the City Homeownership Assistance and Neighborhood Stabilization Programs.

BACKGROUND: During City Council's 2011 summer recess, VHDA made mortgage finance grant funds available to support local homeownership efforts. The City submitted an application to participate in the funding program, contingent on City Council's ratification. On September 13, 2011, City staff was notified by VHDA that its application for funds was approved.

DISCUSSION: For many years, the City has participated in VHDA's special mortgage financing programs, such as Sponsoring Partnerships and Revitalizing Communities (SPARC) Program, which provided funds at up to 1% below its standard rates. The Office of Housing has successfully deployed SPARC funds with the City's already budgeted HAP and Moderate Income Homeownership Program (MIHP) loans providing leverage for these resources. The SPARC Program ended in December 2010 and has been replaced by VHDA by the more limited CHRP Program. Allocations provided through CHRP must be targeted to specific areas that are the focus of local revitalization efforts, including Neighborhood Stabilization Program (NSP) target areas. The City's NSP target areas include the Hume Springs community and two Census Tracts, 515102001.03 and 515102004.01, in the City's West End. These areas include the South Van Dorn Street area and the communities on the west side of I-395 along the southern portion of Beauregard Street. The VHDA reservation for these funds will expire on June 30, 2012.

The recent CHRP application requested an allocation of \$250,000 to support homebuyers participating in the City's NSP Program and \$650,000 to support other HAP participants purchasing homes within one of the three approved NSP target areas. The CHRP funds will be provided to subsidize first trust mortgage financing at 0.5% below VHDA's normal loan rate. The funds are expected to serve a total of eight households, with City leverage of up to \$317,000 in NSP funds as well as up to \$250,000 in HAP funds. The City's maximum down payment assistance of up to \$50,000 for HAP recipients provides no-interest, deferred payment financing and includes an equity sharing component that helps preserve an assisted unit's long term affordability.

The approved CHRP funds and City-leveraged funds would be targeted to lower income households as an additional resource to expand the range of units affordable to these individuals. All program participants will be required to complete the City's homebuyer training curriculum and loans will be underwritten by the Office of Housing as well as participating lenders to ensure that the participant's monthly housing payments will be affordable and sustainable based on housing and other debt payment requirements.

FISCAL IMPACT: None to the City. CHRP funds do not pass through the City treasury, but are made available by a VHDA lender directly on the client's behalf at settlement. Up to \$900,000 will be provided through this resource for first trust financing for low- and moderate-income homebuyers in the City. Leveraged City funds will be provided through existing programs. It is noted that the total non-VHDA funding to be leveraged for this initiative is estimated to equal approximately 63% of the total CHRP request, or \$587,160. In addition to the HAP (CDBG and HOME) and NSP resources mentioned above, homeownership education and counseling resources (funded through Housing Trust Fund in the amount of \$4,160) and homebuyer down payment and closing cost contributions, in an estimated amount of \$16,000, will complete the sources leveraged through the City's efforts.

STAFF:

Mark Jinks, Deputy City Manager
Mildrilyn Stephens Davis, Director, Office of Housing
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Shane Cochran, Program Implementation Division Chief, Office of Housing