



Affordable Housing is our Business

Housing Matters

CALIFORNIA HOUSING FINANCE AGENCY

FALL 2004

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With the arrival of fall, the days grow shorter and we wonder how those lazy days of summer flew by so fast. We dream of past vacations, summer camps and barbecues as we store up warm memories to guard against the inevitable approach of winter. We also begin to spend more time indoors: some in homes that we can call our own, others in houses and apartments that belong to someone else. CalHFA strives to develop programs for this second group of families so that they may also share the memories and dreams that homeownership brings.

CalHFA is committed to affordable homeownership in every region of the state, even though in some high cost areas, sales price medians were up by over 20% compared to the prior year.

CalHFA's High Cost Area Home Purchase Assistance Program (HiCAP), which provides down payment assistance for first-time homebuyers of low to moderate incomes, helped bridge the gap for families in eight of the state's highest cost counties. We are pleased to share this innovative loan program in our article, "A Feather in CalHFA's HiCAP."

For those who are not yet in the position to own their first home, CalHFA is working hard to expand our multifamily lending efforts. The article, "Multifamily Lending Grows at a Rapid Pace" exemplifies how growth occurs when an organization dedicates the time to understand market needs and works with partners towards a common goal. Our Multifamily Division grew by nearly 130 percent over Fiscal Year 2002-2003, due in large part to our construction financing program.

No matter what the season, CalHFA continues working hard to find innovative ways to help people make the dream come true. Every day, more Californians have achieved the dream of homeownership and are busy making new memories because of CalHFA's efforts.

Theresa A. Parker
Executive Director

PRESERVING AFFORDABILITY

On July 6, 2004, Governor Schwarzenegger signed SB 1328 (Torlakson, Chapter 110, Statutes 2004), a state law intended to help communities preserve the existing stock of affordable rental housing for the longest time possible.

Under current law, if an owner chooses to "opt out" of a federal subsidy program or "prepay" the loan, he or she is required to notify each of the existing tenant households and the affected public entities of his or her decision 12 months prior to the anticipated termination date. SB 1328 requires that the notice not only state the current rent and the expected rent on the date of termination of the subsidy, but whether the owner anticipates a rent increase for a previously restricted unit at any time during the 12 months following the termination of the subsidy.

Under current law, if the owner of a subsidized rental housing project decides to end a subsidy contract or prepay a mortgage that restricts rents to some of the units, or otherwise sell or dispose of the property, the owner must first give the tenant association of the development, or any other organizations interested in maintaining or extending the affordability of those units, the opportunity to submit an offer to purchase the property. While an owner is not required to sell the property under any circumstances, existing law does require the owner, during the 12-month period prior to the termination of the subsidy, to entertain offers from organizations or individuals interested in preserving the affordability. SB 1328 prohibits the owner of an assisted rental housing development from selling or otherwise disposing of the project at any time within five years of the expiration of the rental restriction, unless that owner provides organizations or individuals interested in preserving the affordability with the opportunity to offer and match any other bid received.

These provisions will take effect on July 1, 2005. For additional information, contact Matt Schwartz, Executive Director of the California Housing Partnership, at 415.433.6804.

Stay connected with CalHFA and receive product and program updates as they occur. To stay informed, please register your email address at our web site: www.calhfa.ca.gov. It will be kept confidential.

CalHFA Housing Matters is produced quarterly with the goal to provide stakeholders, customers, and clients with updates on affordable housing issues and highlights of CalHFA programs. Comments or suggestions can be directed to 800.789.2432, or email marketing@calhfa.ca.gov. Additional information is available on the full complement of CalHFA programs and newsletters at www.calhfa.ca.gov



Governor Arnold Schwarzenegger
Theresa A. Parker - Executive Director



Affordable Housing is our Business

HOMEOWNERSHIP

CALIFORNIA HOUSING FINANCE AGENCY

FALL 2004

A Feather in CalHFA's HiCAP



CalHFA strives to bring homeownership within reach ... even in the highest cost areas of California, where median-priced homes exceed \$600,000. This affordability gap can be lessened with an innovative loan program that helps CalHFA fulfill its mission to assist

first-time homebuyers throughout California. Since the High Cost Area Home Purchase Assistance Program (HiCAP) was created, loan production has increased in every county in which it has been implemented. HiCAP is now available in eight counties (Alameda, Contra Costa, San Diego, San Francisco, San Mateo, Santa Clara, Sonoma, and Ventura) with approximately 10 million people, or 28% of the state's total population.

The HiCAP program offers qualified buyers two loans:

- A CalHFA 30-year, below market, fixed rate first mortgage loan
- A deferred payment subordinate loan of up to \$25,000 at 5% simple interest to be used for down payment assistance.

In the eight extremely high cost counties of California that are served by HiCAP, low and moderate income homebuyers simply cannot afford to purchase a home without financial assistance of the type offered by this program. The median sales prices for new and resale homes in these areas have set new records while prices continue to escalate. There is a severe shortage of housing in these counties, the result of too little housing development, increasing populations and the lack of appropriate planning.

Even restricted borrowers who are resourceful enough to locate homes within our sales price limits can obtain help bridging the affordability gap thanks to the \$25,000 deferred HiCAP subordinate loan provided by this program. Without our HiCAP program, the prospects for homeownership in these high cost counties, among low and moderate income families, are difficult.

Additionally, CalHFA permits homebuyers to use other CalHFA-approved down payment assistance loans or grants offered by CalHFA, localities, and nonprofits. This layering of subordinate loans decreases the size of the first mortgage, reducing monthly payments and allowing more first-time homebuyers to achieve the dream of homeownership.

HiCAP started as a pilot program in September 2001 in three Bay Area counties with the following basic criteria:

- A high employment-housing demand imbalance
- A low affordability index based on maximum income limits and actual sales prices
- An underserved community as measured by the volume of CalHFA loans in proportion to the county's share of the state's population.

Three additional Bay Area counties were added on June 21, 2002; two southern California counties were added on July 1, 2003.

The HiCAP has been significant not only in serving underserved high cost counties, but in increasing CalHFA's total home loan production. During the past five years, production in these eight counties has tripled from \$103 million in first mortgages in fiscal year (FY) 1999-2000 to \$322 million in FY 2003-2004. CalHFA's penetration of this high cost market went from 10% of total first mortgage production to 26% in FY 2003-2004—nearly equal to this region's share of the state's population.

HiCAP has been particularly successful in Santa Clara County, where the median home price now stands at \$546,000. First home loan production in the county jumped from less than \$5 million loan volume in FY 1999-2000 to \$95 million in FY 2003-2004. Santa Clara County, home of Silicon Valley, produced \$11,729,300, or about one-third, of the total HiCAP subordinate loans purchased since the inception of the program in 2001.

San Diego County is another area where HiCAP loans are taking off. Since July 2003, 182 San Diego families have become new homeowners by taking advantage of this program.



HiCAP's down payment assistance program removed a significant hurdle to homeownership in high cost areas, especially when layered with other loans and grants. It contributed to a state goal of reversing the state's employment-housing imbalance by providing affordable housing closer to regional job centers.

It enabled CalHFA to allocate its resources to high cost counties proportionate to their share of the state's population. And, remarkably, the HiCAP program has helped an estimated 4,249 families move into their own home in some of the highest-priced housing markets in the nation.

For more information on HiCAP and all of CalHFA's Homeownership programs, log on to the Agency's comprehensive web site, www.calhfa.ca.gov or call 1.800.789.2432.

International Boulevard Phase II



The final chapter in a remarkable facelift of one of Oakland's most blighted areas concluded in 2003 with the

completion of Phase II of the International Boulevard Housing Initiative. This attractive new development, which received \$4.8 million in loans from the California Housing Finance Agency (CalHFA), provides 24 units of permanent supportive housing for very low income families. Eight of these units are reserved for families that include an adult with special needs.

Built in a high priority redevelopment area, the project is the result of a successful collaboration between Resources for Community Development (RCD), the East Oakland Community Development Corporation (CDC), and the City of Oakland. RCD's solid track record of building supportive housing, East Oakland CDC's extensive knowledge of the community, and the City of Oakland's unwavering support of the project from start to finish resulted in the replacement of one entire blighted block with all new, upscale housing.

The project, located on the same block of International Boulevard as the 35-unit Phase I family housing development,



includes a combination of townhouses and flats that range in size from one to four bedrooms, consisting of 530 to 1,400 square feet of living space. All tenants may choose from a comprehensive array of social services that includes social and recreational programs, service coordination, job training, and

direct placement services. More intensive services, such as case management, crisis intervention, and counseling, are particularly oriented to special needs residents. Residents of the project's eight special needs units are either homeless or in danger of becoming so, and have been diagnosed with a mental illness or HIV/AIDS, or have a history of substance abuse.

The International Boulevard Phase II project also represents the successful partnership of multiple lenders to finance the construction of new affordable and special needs multifamily housing. CalHFA committed more than \$4.8 million to the project, including a \$3.3 million construction loan to Wells Fargo Bank under the Agency's



Loan-to-Lender Program. The Agency also provided a \$1.1 million bridge loan and a \$415,000 permanent loan at reduced interest rates under the terms of its Special Needs Financing Program.

Other layers of financing came from the City of Oakland (\$2 million), the Department of Housing and Community Development's Multifamily Housing Program (\$1.2 million), the Federal Home Loan Bank's Affordable Housing Program (\$92,000), and a HUD Supportive Housing Program grant (\$300,000). The eight special needs units will receive federal Shelter Plus Care subsidies for at least five years. These subsidies will help to pay for the cost of providing social services to the project's special needs residents. To learn more about CalHFA Multifamily Programs, please visit our web site at www.calhfa.ca.gov.



Affordable Housing is our Business

MULTIFAMILY / MARKETING

CALIFORNIA HOUSING FINANCE AGENCY

FALL 2004

Multifamily Lending Grows at Rapid Pace

MULTIFAMILY

CalHFA's Multifamily Lending Programs experienced strong growth during fiscal year (FY) 2003-2004, with the dollar volume of funded projects increasing by nearly 130 percent over the previous year. The Agency's new construction lending program grew at an even greater rate, with dollar volume increasing more than four-fold.

During FY 2003-2004, the Agency funded 40 multifamily projects, up from 24 in FY 2002-2003. These new projects will produce 2,807 rental units, a 90 percent increase over the 1,474 units funded in FY 2002-2003. In total, the Agency funded nearly \$240 million in new multifamily loans during FY 2003-2004, including \$138.5 million for new construction, \$91.5 million for housing preservation, and \$10 million for special needs projects.

Construction lending outpaced all other multifamily lending programs during the last fiscal year. CalHFA's Construction Lending Program began late in FY 2002-2003 with the approval of \$22.7 million in construction loans for two projects. In addition, eight new projects were approved to receive construction loans totaling more than \$93 million, an increase of more than 400 percent. When completed,

these ten projects will produce approximately 700 new units of rental housing. Although the Construction Lending Program has been in operation for just over a year, the Agency has already funded five of the ten loan commitments, for a total of nearly \$59 million.

Another important area of growth in multifamily lending continues to be the Special Needs Lending Program, which provides loans at interest rates that are well below the Agency's normal loan rates. During FY 2003-2004, the Agency funded six special needs projects for a total of nearly \$10 million. These projects will provide 132 units of rental housing for low income individuals with disabilities or other special needs who are in need of targeted services to remain in independent housing.

"We are very pleased with the level of multifamily lending activity in FY 2003-2004 because it indicates that our products are meeting the affordable rental housing needs of Californians," said Theresa Parker, CalHFA's Executive Director. "We anticipate another year of significant growth in all areas of multifamily lending in FY 2004-2005."

Tuned in to CalHFA

MARKETING

Radio and TV Spots Promote CalHFA Homeownership Programs



The launch of Public Service Announcements (PSAs) highlighting Homeownership and the Extra Credit Teacher Program (ECTP) has proven to be a successful first media campaign for the California Housing Finance Agency (CalHFA). Focusing PSAs on the benefits of homeownership and the innovative loan programs offered by CalHFA, the PSAs have already reached an estimated audience of 5.3 million Californians.

CalHFA launched the statewide media outreach campaign in February. Thirty-second radio spots, in both English and Spanish, were distributed to 119 radio stations throughout the state (This is an estimated listener base of 1.4 million through English language radio and 2.1 million through Spanish radio). As an added bonus, a number of radio stations have contacted CalHFA with requests for additional information and interviews.

Expanded PSA outreach efforts include television stations in every media market for both Homeownership and ECTP programs. The 30-second ECTP television PSA, featuring actress Jeri Ryan, has already received valuable air time at stations up and down the state, equating to approximately 1.8 million viewers.

This fall a repeat campaign for the ECTP, along with the Homeownership PSAs will target radio and television. Both English and Spanish language stations will coordinate with the back-to-school season.

To see how these 30-second CalHFA television spots might help your affordable housing efforts, please go to the Publications area of About CalHFA on our web site at www.calhfa.ca.gov.

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