

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY  
SERVICES MANAGER  
SUBJECT: DOWN PAYMENT ASSISTANCE LOAN PROGRAM -  
AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO  
EXECUTE LOAN AND PROGRAM-RELATED DOCUMENTS

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, authorize the Executive Director to execute loan and program-related documents for the Down Payment Assistance Loan Program.

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EXECUTIVE SUMMARY

The City received a settlement of \$95 million in July 2020 as a result of the lawsuit against Pacific Gas and Electric Company (PG&E) related to the 2017 wildfires. On February 15, 2022, the City Council appropriated \$2 million of the PG&E settlement to establish a downpayment assistance program for Santa Rosa residents and delegated program development and administration to the Department of Housing and Community Services (HCS). Program guidelines, loan documents, marketing materials, and a loan application for the Down Payment Assistance Loan (DPAL) program have been developed in anticipation of launching the program on October 2, 2023. Delegation of authority by the Housing Authority is needed for the Executive Director to execute loan and program-related documents including, but not limited to Promissory Notes, Owner Occupancy Agreements, Subordination Agreements, and other program-related documents as needed.

BACKGROUND

On February 15, 2022, the City Council allocated \$2 million to HCS to develop a down payment assistance program for moderate-income, first-time homebuyers within Santa Rosa city limits. Modeled after the California Department of Housing and Community Development's CalHOME program, the DPAL program will:

DOWN PAYMENT ASSISTANCE LOAN PROGRAM - AUTHORIZATION FOR THE  
EXECUTIVE DIRECTOR TO EXECUTE LOAN AND PROGRAM-RELATED  
DOCUMENTS  
PAGE 2 OF 4

- Provide down payment assistance loans to Santa Rosa residents who are first-time homebuyers that do not exceed 120% of Area Median Income (AMI), for the purchase of a home to be used as their primary residence.
- Loan amounts may be approved up to \$75,000 each, not to exceed 10% of the total purchase price of the home and will be deferred for 30 years with 3% simple interest.
- The total purchase price of the home cannot exceed the median sales price as published by the California Association of Realtors for Sonoma County, currently \$850,960 for the month of July 2023.
- Borrowers must contribute a minimum of 1% of the total purchase price as a down payment and participate in homebuyer education counseling through Balance, a HUD-certified Housing Counseling Agency.
- Eligible properties include single family homes, condominiums, cooperative units, and mobilehomes if the land is also held by the homeowner. All properties must pass a home inspection prior to the close of escrow.

Further details are included in the DPAL Program Guidelines, included as Attachment 1.

To administer the program, staff have developed a program application and sample loan documents which will include a Promissory Note, Rider to the Deed of Trust, and Owner Occupancy Agreement. Upon submittal of a complete application, staff will verify borrower eligibility and notify the applicant of eligibility status. If approved, funds will be reserved for the applicant who will have six months to complete the required homebuyer education, locate and close escrow on the purchase of an eligible home. Applications will be processed on a first-come, first-served basis and loans will be approved until funds are exhausted.

The \$2 million is anticipated to serve approximately 26-30 households during the initial launch of the program. Loans will be repaid to the Authority as homes are sold, refinanced with cash out, defaulted, or at the end of the 30-year term. Loan repayments will be held in a revolving loan fund to redeploy the program once sufficient repayments have been received.

The DPAL program is anticipated to begin accepting applications on October 2, 2023, concurrent with Burbank Housing Development Corporation's (BHDC) launch of their CalHOME homeownership assistance program. BHDC's CalHOME program is targeted to first-time homebuyer households at 80% of AMI and can provide loans up to \$100,000 as down payment assistance to homes in Sonoma County.

The DPAL program has been developed to be compatible with BHDC's CalHOME program. A potential buyer can utilize both programs for a combined \$175,000 in down payment assistance for a residence inside Santa Rosa city limits. Homebuyers between 80 and 120% may apply solely to the DPAL program for downpayment assistance. HCS staff has collaborated with BHDC on education webinars for local real estate and

DOWN PAYMENT ASSISTANCE LOAN PROGRAM - AUTHORIZATION FOR THE  
EXECUTIVE DIRECTOR TO EXECUTE LOAN AND PROGRAM-RELATED  
DOCUMENTS  
PAGE 3 OF 4

lending partners and will be hosting a hybrid meeting for prospective buyers on September 27, 2023.

PRIOR HOUSING AUTHORITY REVIEW

Not applicable.

ANALYSIS

\$2 million has been budgeted for a downpayment assistance program for Santa Rosa residents who are first-time homebuyers at or below 120% of AMI. Staff has developed the DPAL Program as described above and in the DPAL Program Guidelines, included as Attachment 1.

Once approved, eligible applicants will have six months to locate a home and close escrow, extensions may be approved on a case-by-case basis. Once escrow is opened, most transactions will close within 30-45 days. Housing Authority authorization for the Executive Director to execute DPAL loan and program-related documents will allow the program to assist homebuyers.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the Housing Authority's budget. The \$2 million for the DPAL program has been budgeted in Housing Authority Fund 2130 – Operating Reserve Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required. The National Environmental Policy Act of 1969 (NEPA) is not applicable to the proposed action due to the absence of federal funds.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable

NOTIFICATION

Not applicable.

DOWN PAYMENT ASSISTANCE LOAN PROGRAM - AUTHORIZATION FOR THE  
EXECUTIVE DIRECTOR TO EXECUTE LOAN AND PROGRAM-RELATED  
DOCUMENTS  
PAGE 4 OF 4

ATTACHMENTS

- Attachment 1 – Down Payment Assistance Loan (DPAL) Program Guidelines
- Resolution

PRESENTER

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