

**CITY OF EL PASO, TEXAS**  
**AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** Community and Human Development

**AGENDA DATE:** April 17, 2007

**CONTACT PERSON/PHONE:** Bill Lilly, Director 541-4241

**DISTRICT(S) AFFECTED:** All

**SUBJECT:**

Proposed changes to the City of El Paso's Housing Assistance Programs, to include changes to the following existing programs: First Time Home-buyer Program, Owner-Occupied Rehabilitation Program, Reconstruction Program and creation of an Emergency Home Repair Program to reflect the current definition of affordability.

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**BACKGROUND / DISCUSSION:**

The City of El Paso Housing Assistance programs assist low-moderate income residents with assistance in obtaining safe, decent and sanitary housing.

The goals of City of El Paso's Housing Programs are to:

- A. Provide safe, decent, sanitary and affordable housing opportunities for residents of the City of El Paso, particularly for low-moderate income residents
- B. Eliminate blight and blighting influences in declining neighborhoods, and to conserve and upgrade the housing stock supply
- C. Upgrade existing dwelling units to a level commensurate to or greater than adopted City codes

City staff recently conducted an extensive review of the existing housing programs. The existing programs are:

- 1) First Time Home Buyer -Principal Loan Reduction
- 2) Owner Occupied Rehabilitation
- 3) Reconstruction
- 4) Lead-Based Paint Removal\*
- 5) Weatherization/Energy Conservation\*
- 6) Accessibility\*
- 7) Residential Sewer Line Connection
- 8) Investor-Owned Properties

\* These programs are incorporated with the Owner Occupied Rehabilitation Program

Based on the review of the existing programs, City staff is recommending major and fundamental changes to the City of El Paso's Housing Assistance programs. All program changes are based on a fundamental definition of "Affordable Housing". For the City of El Paso's Housing Assistance Program's "affordable housing" is defined as "that which costs no more that 35% of a families household income for monthly rent or monthly mortgage payments including property taxes, insurance and utilities.

The proposed changes will include modification to existing programs, elimination of some programs and the creation of four (4) new programs. The current and immediate changes impact only the single-family (owner-occupied) programs.

Specifically, changes are proposed to the following programs:

First Time Home Buyer

Owner Occupied Rehabilitation Program

Reconstruction Program

Emergency Home Repair Program (a new program)

Exhibit A details existing programs and proposed changes to the programs.

Its is the intent of staff to present changes to or the creation of criteria for the following programs in July 2007.

- Investor Owned/Rental Rehabilitation
- Assistance for Large Multi-Family Developments
- Pre-Development Loans to Non-Profits
- Government Fee Reduction Program (NRSA)
- Residential Sewer Line Connection

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**PRIOR COUNCIL ACTION:**

**Has the Council previously considered this item or a closely related one?**  
City Council has from time to time amended the Housing Programs Handbook.

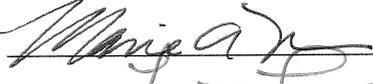
**AMOUNT AND SOURCE OF FUNDING:**

**How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?**  
All programs are funded with Federal and State funds

**BOARD / COMMISSION ACTION:**

**Enter appropriate comments or N/A**  
Item was review by the Economic and Community Development Legislative Review Committee

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**LEGAL:** (if required)  **FINANCE:** (if required) \_\_\_\_\_

**DEPARTMENT HEAD:**   
(Example: if RCA is initiated by Purchasing, client department should sign also)  
*Information copy to appropriate Deputy City Manager*

**APPROVED FOR AGENDA:**

**CITY MANAGER:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**RESOLUTION**

**BE IT RESOLVED BY THE CITY COUNCIL OF EL PASO:**

**THAT** the City Council approves the proposed amendments to the Community and Human Development Housing Programs Handbook, which relate to the City's First Time Home-Buyer Program, Owner-Occupied Rehabilitation Program, and Reconstruction Program, and create the Emergency Home Repair Program, and which have been recommended by the Community and Human Development Director, said proposed amendments attached and incorporated herein as Exhibit "A".

**ADOPTED** this 17<sup>th</sup> day of April, 2007

**THE CITY OF EL PASO**

\_\_\_\_\_  
John F. Cook,  
Mayor

**ATTEST:**

\_\_\_\_\_  
Richarda Duffy Momsen  
City Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Marie A. Taylor,  
Assistant City Attorney

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
William L. Lilly, Director  
Community and Human Development

Exhibit "A"

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## FIRST TIME HOME BUYER PROGRAM

- FTHB, as defined by HUD
- Purchase & occupy home within City limits
- Complete HUD approved homebuyer counseling
- 60-80% of AMI
- May exceed 80% of AMI if buying in HUD approved NRSA
- Other applicants may be considered if other secondary financing is being utilized (i.e. Sec. 8 Homeownership, HOYO, FHLB, etc.) as long as housing ratio does not exceed 35% of applicants income
- \$1,000 investment of borrower's own funds
- May not hold more than \$5,000 in assets
- Must obtain a prequalification letter from approved lender
- Interest rate on first lien may not be more than 2.1% above market rate
- Lender must be registered with City & accept "Allowable Closing Costs for Buyers to Pay" document
- No ARMS, interest-only mortgages, reverse mortgages or other deemed non-standard first mortgage products allowed
- Single family, 2-4 units, condo, manufactured home
- Max purchase price: 95% of median purchase price
- Must meet state/local codes, must be inspected

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**Down Payment and Closing Cost Assistance (New Component) (FTHB)**

- Amount: Up to \$5,000
- Term: 10 years
- Repayment: Forgiven 20% each year in years 6-10. Otherwise, due upon sale, transfer, or lease
- Interest: 3% simple interest

**Principal Reduction Loan (FTHB)**

**Current Guidelines**

- Amount: up to \$20,000
- Term: 30 years
- Interest: 0%
- Repayment: Amortized over 30 years. Borrowers at 40% AMI or below, receive a loan grant combination (10/10). Unpaid/unforgiven balance due if property is sold or ceases to be principal residence.
- Ratio Requirements: None

**New Guidelines**

- Amount: up to \$35,000
- Term: 30 years
- Interest: 0% w/ shared appreciation or 3% simple interest w/out appreciation
- Repayment: Affordable portion amortized over 30 years. Remaining portion deferred and due upon sale, transfer, first mortgage payoff, lease.
- Ratio Requirements: 35%/55%

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## SINGLE FAMILY OWNER OCCUPIED HOUSING REHABILITATION PROGRAM

- $\leq$ 80% AMI unless in EZ or NRSA
- Home must be within City Limits.
- Home must have code violations
- Must be Owner of Record (Title)
- Property Taxes must be current

Three-year occupancy required prior to submitting application. (None required previously)

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### Current Guidelines

Single Unit Dwelling,  
(Condo, Town home)  
Excluding manufactured homes

Property value may not exceed \$70,000

#### Amount:

34K Loan/Grant  
10K Hist. Pres. Loan  
3K Energy Conservation Grant  
3K Accessibility Grant  
Unlimited –Lead Based Paint Grant

#### Term

Up to 30 years

#### Interest

0%-3% Based on AMI

### New Guidelines

Single Unit Dwelling  
(Condo, Town home)  
including manufactured  
homes permanently affixed

Max after rehab value (95%  
of area median purchase price)

#### Amount:

65K Max  
Loan/Amortized/Deferred/  
Forgiveable

#### Term

Up to 30 years

#### Interest

3%

Repayment

Loan amortized up to 30 yrs

Secured Grant forgiven 1/30<sup>th</sup> each year with current payments

Ratio

Loan to Value  $\leq$  after rehab property value

1<sup>st</sup> Mortgage Lender Requirements

City in 1<sup>st</sup> Lien position

Refinancing policy: Available to reduce housing costs & allow City 1<sup>st</sup> lien

Home equity loans not eligible for refinancing

Repayment

Based on 35% affordability. Affordable amount amortized up to 30 yrs. Remainder deferred and forgiven 1/30<sup>th</sup> each year with owner occupancy

Ratio

Loan to Value  $\leq$  after rehab property value

1<sup>st</sup> Mortgage Lender Requirements

City will subordinate if 1<sup>st</sup> Lien debt exceeds City investment

If City investment exceeds 1<sup>st</sup> lien, City will subordinate w/ agreement to notify City upon default & allow City to cure debt

First lien holder must be registered with the City. No ARMS, interest-only mortgages, or other non-standard first mortgage products allowed

Interest rate on 1<sup>st</sup> lien may not exceed 2.1% above market rate

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## SINGLE FAMILY OWNER OCCUPIED HOUSING RECONSTRUCTION PROGRAM

Property must be deemed economically infeasible for rehabilitation under the Single Family Owner Occupied Rehabilitation Program to be eligible for the Reconstruction Program

Property is deemed economically infeasible when costs to correct all code violations exceeds the Single Family Owner Occupied Rehabilitation Program limits (\$65,000)

- $\leq 80\%$  AMI unless in EZ or NRSA
- Home must be within City Limits.
- Must be Owner of Record (Title)
- Property Taxes must be current

Three-year occupancy required prior to submitting application. (None required previously)

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### Current Guidelines

Single Unit Dwelling,  
(Condo, Town home)  
Excluding manufactured homes

Property value may not exceed \$70,000

#### Amount:

34K Loan/Grant  
10K Hist. Pres. Loan  
3K Energy Conservation Grant  
3K Accessibility Grant  
Unlimited –Lead Based Paint Grant  
Remaining amount financed as a Loan

### New Guidelines

Single Unit Dwelling  
(Condo, Town home)  
including manufactured  
homes permanently affixed

Max after rehab value (95%  
of area median purchase price

#### Amount:

65K Max  
Loan/Amortized/Deferred/  
Forgiveable  
  
Remaining amount financed  
by owner

Term

Up to 30 years

Interest

0%-3% Based on AMI

Repayment

Loan amortized up to 30 yrs

Secured Grant forgiven 1/30<sup>th</sup> each year with current payments

Ratio

Loan to Value ≤ after rehab property value

1<sup>st</sup> Mortgage Lender Requirements

City in 1<sup>st</sup> Lien position

Refinancing policy: Available to reduce housing costs & allow City 1<sup>st</sup> lien

Home equity loans not eligible for refinancing

Term

Up to 30 years

Interest

3%

Repayment

Based on 35% affordability. Affordable amount amortized up to 30 yrs. Remainder deferred and forgiven 1/30<sup>th</sup> each with owner occupancy

Ratio

Loan to Value ≤ after rehab property value

1<sup>st</sup> Mortgage Lender Requirements

Owner required to obtain mortgage for additional funds exceeding \$65K.

City will subordinate w/ agreement to notify City upon default & allow City to cure debt

First lien holder must be registered with the City. No ARMS, interest-only mortgages, or other non-standard first mortgage products allowed

Interest rate on 1<sup>st</sup> lien may not exceed 2.1% above market rate

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## EMERGENCY HOME REPAIR PROGRAM (NEW PROGRAM)

The program will provide funds for repairs to address conditions that pose an imminent threat to the health, safety, and welfare of the occupants, or to bring conditions to handicapped accessible standards, if needed. The intent of the program is not to provide routine maintenance or general repairs, but to help prevent homelessness due to building safety deficiencies. The City of El Paso's Housing Construction Specialist determines eligible repairs.

- Income 80% < of AMI
- Home must be within City Limits
- Home must have "emergency conditions"
- Home must be owner-occupied
- Property taxes must be current
- Liquid assets cannot exceed \$5,000
- Three year occupancy required prior to submitting application
  - Amount: -Up to \$5,750
  - Term: 10 Years
  - Interest: 3% simple interest
  - Repayment: Deferred – Forgiven 20% each year in years 6-10. Otherwise loan is due upon sale, transfer or lease of property.
  - Ratio Requirements: N/A

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