



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Councilmember Pam Foley

**SUBJECT: MODERATE-INCOME  
HOUSING STRATEGY UPDATE**

**DATE:** June 7, 2019

Approved

Date

*Pam Foley*

6-7-19

## **RECOMMENDATIONS**

Accept the staff report on the moderate-income housing strategy, and consider the following recommendations:

1. Direct staff to explore the feasibility of establishing a downpayment assistance program to help moderate-income, first-time homebuyers secure the funds needed for a downpayment. Staff should consider elements such as:
  - A. Investigating various forms of downpayment assistance such as equity sharing or second mortgages with flexible pay-back options;
  - B. Modeling any potential new program on the City's previous, first time homebuyer program for income qualifications, creditworthiness, and possible payback terms;
  - C. Partnering with a non-profit organization such as Housing Trust Silicon Valley to conduct outreach for the program, administer the program, and provide compliance and oversight of the program;
  - D. Studying how the City of San José in partnership with a non-profit organization such as Housing Trust Silicon Valley might leverage Measure A funds;
  - E. Limiting the maximum amount an individual applicant or household may receive from this program to \$125,000 per unit;

## **BACKGROUND**

Various studies have illustrated just how many obstacles the housing catastrophe has created for middle-income, first-time homebuyers trying to become middle-income, first-time homeowners.

Homeownership is commonly referred to as one of the primary ingredients of the American Dream. Owning a home is an asset that allows a household to build equity, take advantage of helpful tax breaks, stabilize their housing costs, and to live more sustainably.

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According to data taken from Redfin and Zillow, the median purchase price of a home in the City of San José is approximately \$1.04 million. To qualify for a home mortgage loan, financial lenders typically require the homebuyer to provide a 20% downpayment. San José homebuyers are finding it ever more difficult to afford this seemingly out-of-reach, up-front cost.

Today, many middle-income, first-time homebuyers searching in the San José market find themselves capable of making a mortgage payment, but struggling to save enough funds for a downpayment. Now on a regular basis, we see much of San José's middle-class emigrating from Silicon Valley into less expensive regions of California or to entire states altogether.

The fact that average wages in San José have simply not kept up with rising housing costs, along with other economic factors such as rising interest rates, higher financial lending thresholds, and decreased federal property tax deductions only serve as additional obstacles for first-time homebuyers.

In years past, San José has implemented their own first-timehomebuyer program for teachers and credentialed staff where the City offered deferred-payment loans of \$35,000 or \$50,000, depending on the applicants income. More recently, in November 2016, Santa Clara County voters passed Measure A, a \$950 Million general obligation bond that allocated \$25 million in first-time homebuyer assistance. These programs create a path forward for first-time home buyers to fulfill their dreams of homeownership.

Once again, the City of San José must undertake a more concerted and collaborative effort to make our region a more affordable place for moderate income individuals.