



City Council Agenda Item

City Council Meeting Date: January 6, 2026

TO: Dean Albro, City Manager

FROM: Chanel Ovalle, Community Development Program Manager
c_ovalle@ci.lompoc.ca.us

SUBJECT: Adoption of Resolution No. 6795(26) Amending the Lompoc Homebuyer Assistance Program Guidelines to Limit the Number of Approved Lenders to Five, Approve a Lender Application and Evaluation Ranking Tool for Selecting Those Five Lenders, and Allocate \$913,747 from the Lompoc Affordable Housing Trust Funds to the Homebuyer Assistance Program

Recommendation:

Staff recommends the City Council adopt Resolution No. 6795(26) (Attachment 1) which will:

- 1) Approve the City of Lompoc Homebuyer Assistance Program (Program) Guidelines as amended;
- 2) Approve the allocation of \$913,747 from the Lompoc Affordable Housing Trust Funds (LAHTF) to provide additional funding to the Program; and
- 3) Approve the Lender Application and Evaluation Ranking Tool for approved lenders.

Background:

On December 2, 2003, the City Council adopted Resolution No. 5135(03) establishing a housing in-lieu fee, and on December 16, 2003, adopted Ordinance No. 1492(03) adding Chapter 18 (Housing In-Lieu Fee Program) to Title 3 of the Zoning Ordinance.

On April 5, 2005, the City Council adopted Resolution No. 5237(05) adopting the Program, confirming trust funds would be used to provide loans to qualified developers, public entities, groups and individuals to undertake activities which create new housing, thereby expanding the City's below-market housing stock.

On October 7, 2008, the City Council approved the first amendment of the Program to allow use of Program funding for reasonable administrative costs, not to exceed \$10,000 annually, and to allow loan processing costs to be included in the loan amount or collected

with the application; require the execution of City Council-approved loans within a 180-day period; and use Program funds (in part) for the acquisition of The Mortgage Office loan servicing software program and 12 months' of software maintenance service for a total not to exceed \$7,000 in Program funds.

On July 15, 2014, the City Council approved the second amendment of the Program to allow increased funding for administrative costs; add the ability to charge interest on funds loaned to borrowers; and expand the types of "Eligible Housing Projects" to include "existing" housing for the purpose of a Homebuyer Assistance Program for Very Low-, Low-, and Moderate-Income families.

On November 3, 2014, the City issued Request for Proposal (RFP) No. 2771 soliciting consulting services for the Program. The City received one submission from Housing Trust Fund of Santa Barbara County (HTFSBC) and Peoples' Self-Help Housing Corporation (PSHHC) naming HTFSBC as Project Director and PSHHC as Subcontractor. The response was complete and qualified.

On July 21, 2015, the City Council approved the contract with HTFSBC and the appropriation of \$42,500 for the development of the Program and outreach and processing costs associated with ten loans. On June 7, 2016, the City Council approved an additional allocation of \$10,000 for the cost associated with processing additional loans for total consultant contract of \$52,500.

On June 7, 2016, the City Council allocated an additional \$1,080,000 to the Program for loans, grants and consultant costs associated with program development and underwriting for total Program funding of \$1,122,500. The Program, through consultants, completed 10 loans in an approximate 3-year span from July 21, 2015, to May 17, 2018.

As approved, the Program provided for first-time homebuyers:

- secondary loan of up to 16.5 percent of the home purchase price or a maximum loan of \$50,000 per homebuyer;
- loan term of 30-year deferred payments with simple annual interest of 3 percent;
- no current interest or principal payments due until the end of the loan term or upon sale; and
- closing cost grants up to \$3,500.

In addition, the Program restricted the program participants to:

- eligible homebuyers whose household income did not exceed 80 percent of area median income (currently \$55,800 for a family of four);
- contribute at least 3.5 percent of the home purchase price (of which 1 percent was required to be contributed from the homebuyer's own resources); and
- invest any other liquid assets in excess of \$15,000 for the purchase of the home.

On May 1, 2018, the City Council approved Resolution No. 6177(18) which included a revision to the Program and allocated \$1,440,000 to the program for administration, loans and grants and brought the program to be administered "in house" by City staff.

Program terms were revised as follows:

- secondary loan of up to 18 percent of the home purchase price or a maximum loan of \$65,000 per homebuyer;
- loan term of 30-year deferred payments with simple annual interest of 3 percent;
- no current interest or principal payments due until the end of the loan term or upon sale; and
- closing cost grants up to \$5,000.

In addition, the Program restricted the program participants to:

- eligible homebuyers whose household income did not exceed 120 percent of area median income; and
- contribute at least 2.5 percent of the home purchase price (of which 1 percent is required to be contributed from the homebuyer's own resources).

On September 20, 2022, the City Council approved the following revision to the Program:

- secondary loan of up to 18 percent of the home purchase price not to exceed the maximum loan amount of \$80,500 per homebuyer with all other terms remaining the same. The maximum loan amount was the result of the City Council's adoption of Resolution No. 6545(22) establishing a formula for calculation of the maximum amount of financial assistance available to a single applicant under the Program.

On October 18, 2022, the City Council adopted Ordinance No. 1698(22) that was introduced on September 20, 2022, to change the method for calculating the Inclusionary Housing In-Lieu Fees, which also established the maximum amount of assistance available to an applicant under the Program.

Discussion:

The City has successfully administered the Program in-house by providing homebuyer education courses, processing income certifications, managing loan applications, conducting underwriting, and overseeing loan funding and servicing. To date, the program has processed an additional 67 loans, assisting a total of 256 individuals in achieving affordable homeownership in Lompoc.

To continue this success, staff requests the City Council approve an allocation of \$913,747 from the Lompoc Affordable Housing Trust Fund (LAHTF) to the program's loan and grant budget. Based on average loan and grant amounts issued over the past two Program years, this allocation will enable approximately 9 loans and 9 grants during the current fiscal cycle.

Staff further requests the City Council amend the Guidelines to limit the number of lenders who may participate in the Program to five, and approve the attached lender application and evaluation ranking tool (Exhibits B and C). This process will allow staff to review, rank, and select the top five lenders to be included on the Program's approved lender participation list. Limiting participation to five lenders will ensure consistency, compliance, and familiarity with Program requirements.

The enhanced application and evaluation ranking tool (Exhibits B and C) will provide a standardized method for evaluating lender submissions. Upon City Council approval, the City will announce the application timeline on its website. The top five lenders will then be invited to participate in the Program as approved lenders. Each lender will be required to attend a City of Lompoc First Time Homebuyer workshop to review program guidelines and procedures. Following this step, the program will open to accept income certifications, loan and grant applications.

While the only substantive Program changes are to limit the number of program lender participants to five approved lenders from the top five ranking applicant lenders, the revised Homebuyer Assistance Program Guidelines (Attachment 2) are included for the City Council's adoption.

Fiscal Impact:

The proposed allocation of \$913,747 will support approximately 9 loans and 9 grants. Based on recent Program averages, loans are estimated at \$94,027 each, and closing cost grants at \$7,500 each, for qualified first-time homebuyer applicants. There is currently approximately \$1.5 million reserved cash balance available and not otherwise budgeted for operations in the LAHTF Fund 237.

Conclusion:

Adoption of Resolution No. 6795(26) will provide the allocation of \$913,747 from the Lompoc Affordable Housing Trust Fund (LAHTF) to the Homebuyer Assistance Program for the remainder of the biennial budget (FY 2026–2027) for loans and grants, and amend the Homebuyer Assistance Program Guidelines to include limiting lender participation to five approved lenders.

Respectfully submitted,

Chanel Ovalle, Community Development Program Manager

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Mario Guerrero Jr., Community Development Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

- Attachments: 1) Resolution No. 6795(26)
2) Revised Homebuyer Assistance Program Guidelines