

**JOINT  
CITY OF PALM DESERT AND PALM DESERT HOUSING AUTHORITY  
STAFF REPORT**

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MEETING DATE: August 24, 2023

PREPARED BY: Celina Cabrera, Management Analyst

REQUEST: CITY COUNCIL AND HOUSING AUTHORITY: APPROVE DOWN PAYMENT ASSISTANCE LOAN FROM THE LOW-AND MODERATE-INCOME HOUSING ASSET FUND TO CONTINUE AN AFFORDABLE HOUSING COST FOR THE HOMEOWNERS AT 75-476 WILDFLOWER LANE

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**RECOMMENDATION:**

1. Approve the issuance of a silent down-payment assistance loan by the Palm Desert Housing Authority pursuant to the Desert Rose Sales Program and standard documents, in the amount of \$30,000 to continue an affordable housing cost for the homeowners at 75-476 Wildflower Lane pursuant to California Health and Safety Code Section 50052.5 as a qualified low- or moderate- income household from the Low- and Moderate- Income Housing Asset Fund.
2. Authorize the release of the City's Deed of Trust recorded December 7, 2012, securing the promissory note for the existing silent down payment BEGIN loan.
3. Authorize waiving the interest on the homeowner's existing City Loan from the original date the City's Deed of Trust recorded on December 7, 2012, through the date of release.
4. Approve the Palm Desert Housing Authority's Housing Asset Fund down payment assistance loan term to be forgivable 30 years from the original City Loan recording of December 7, 2012, so long as all terms of the loan are met by the homeowners.
5. Authorize Director of Finance to transfer \$30,000 from the Homebuyer Down Payment Assistance Account No. 8734699-4400100 and reimburse the City in BEGIN Fund.
6. Authorize the City Manager/Executive Director, or designee, to execute, release, and finalize any documents necessary to effectuate the actions taken herewith.

**BACKGROUND/ANALYSIS:**

In 2012, the current homeowners of a Desert Rose home located at 75-476 Wildflower Lane ("Owner") were identified as qualified buyers under the Affordable First-Time Homebuyer Program ("Program"). To help qualify for the purchase, a gap financing loan in the amount of \$30,000 to assist with the affordability of the home. Prior to dissolution, the former Palm Desert Redevelopment Agency ("PDRDA"), funded such gap loans. During the dissolution period of PDRDA, the agencies' funding sources were placed on hold and the City shifted in the interim to an alternate funding source, the BEGIN Program, to sustain the Program.

Traditionally the Desert Rose Sale Program loans have been set up as 30-year principal and interest forgivable loans, so long as the homeowners maintain the home as their primary residence and do not default at any point of the term of the restrictive agreement and loan.

City of Palm Desert  
Approve Down Payment Assistance Loan from Housing Asset Fund

However, post dissolution of the PDRDA, Desert Rose homebuyers were instead provided a down payment assistance loan funded through the City's BEGIN program, which is not forgivable. This Owner purchased the only home in Desert Rose funded under the BEGIN program.

Recently, the Owner contacted the Housing Division for information related to the property wherein it was discovered that prior to close of escrow, correspondence stating that the down payment assistance loan they were entering into was forgivable and that it generally adhered to the terms of the Desert Rose Sales Program. However, the documents recorded are not reflective of the Desert Rose Program loan as described in the City correspondence issued to the Owners. Given the timing of the Owners' purchase of their property, it appears that some correspondence was issued with the understanding that PDRDA funds would remain available; by the time the Owner had to close escrow, the Program funding had already been placed on hold and shifted to the alternate City's BEGIN Program funding.

In accordance with the intent of the Desert Rose program, staff is requesting to provide a new silent down-payment assistance loan in the amount of \$30,000. The loan will provide that the term be forgivable 30 years from the original City Loan recording of December 7, 2012, so long as all terms of the loan are met by the Owner. Should the Owner default, or sell, the loan amount and interest from December 7, 2012, will become payable immediately. The City Loan in the amount of \$30,000, will be released and the interest on the Owner's existing City Loan will be waived from the original date the City's Deed of Trust recorded on December 7, 2012, through the date of release.

Staff recommends approval of the actions described herein to memorialize the original intent by providing a forgivable down payment assistance loan to ensure an affordable housing cost pursuant to the Desert Rose Sales Program.

**FINANCIAL IMPACT:**

A new \$30,000 Homebuyer Down Payment Assistance Loan pursuant to the Desert Rose Sales Program and documents will be recorded for the identified property Owner, funded from Account No. 8734699-4400100. The current \$30,000 BEGIN loan will be released and funds will be transferred to the City BEGIN Fund. The fiscal impact to the Housing Asset Fund will be the loans, any cost in preparing and recording the necessary documents, and the amount of interest waived on the homeowner's existing City Loan from the original date the City's Deed of Trust recorded on December 7, 2012, through the date of release.