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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia
Julia H. Cooper

SUBJECT: SEE BELOW

DATE: February 2, 2012

Approved

Date

2-2-12

INFORMATION

SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE DELEGATION OF AUTHORITY ORDINANCE FOR THE PERIOD OF JULY 1, 2011 THROUGH SEPTEMBER 30, 2011, AND CORRECTIONS TO THE DELEGATION OF AUTHORITY REPORT FOR FY 2010-11

EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the first quarter of FY 2011-12 (July 1, 2011 through September 30, 2011). During this reporting period, the Director of Housing approved four miscellaneous actions pertaining to four existing single family rehabilitation and homebuyer loans. These transactions are listed in Attachment A. In addition, Attachment A lists two actions approved by the Director of Housing during FY 2010 -11 that inadvertently were not listed on the Delegation of Authority Report for activities in FY 2010-11.

In addition, the Director of Housing approved 17 new rehabilitation loans and grants totaling \$205,500, and 20 new homebuyer loans totaling \$1,233,396. Finally, the Director of Housing approved housing trust fund grants totaling \$119,950. In addition, the Director of Finance held two TEFRA hearings held for two projects this period. These actions are summarized in Attachment B.

BACKGROUND

On September 4, 1990, the Council adopted Ordinance No. 23589 which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority" or "DOA"). On May 23, 2000, the Delegation of Authority was amended by Ordinance No. 26127 to clarify certain sections and to add several other provisions. On June 25, 2002, the Delegation of Authority was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Director of Housing, the Director of Finance, and the City Manager. Subsequently, the City Manager delegated to the Director of Housing the contract authority granted to the City Manager. Effective July 26,

February 2, 2012

Subject: Report on Activities Undertaken by the Director of Housing and the Director of Finance

Page 2

2007, the Delegation of Authority was further amended by Ordinance No. 28067 to modify certain provisions in order to streamline the Housing Department's process of making and adjusting loans and grants.

The Delegation of Authority is codified in Chapter 5.06 of the Municipal Code. This Memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of July 1, 2011 through September 30, 2011.

ANALYSIS

The Delegation of Authority (DOA) ordinance authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or to grant Housing and Homeless funds, Predevelopment funds, and Housing Rehabilitation Program funds; to negotiate and to execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the Council; to make adjustments, within defined parameters, to loans and grants previously approved by the Council; and to make other technical changes.

Further, the DOA Ordinance delegates jointly to the Director of Housing and Director of Finance certain authority related to the City's issuance of tax-exempt, private activity bonds to finance the development of affordable housing projects. The DOA Ordinance also delegates to the Director of Finance the authority to hold TEFRA hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects.

Attached are charts that detail the actions taken under the DOA Ordinance during the period of July 1, 2011 through September 30, 2011, and two additions to the Delegation of Authority Report for activities during FY 2010-11.

COORDINATION

Preparation of this report has been coordinated with the Office of the City Attorney.

/s/
JULIA H. COOPER
Acting Director of Finance

/s/
LESLYE CORSIGLIA
Director of Housing

For more information, contact Leslye Corsiglia, Director of Housing, at (408) 535-3851.

Attachments

ATTACHMENT A

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
1st Quarter 2011 – 2012 (July – September)**

Date	Action	Muni Code Citation
7/15/11	<p>Approved the following for the single family home located at Blossom Hill Road, which had declined in value from \$336,000 to \$144,500. The borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of \$4,000 as full payment of the City Loans; ▪ Reduce HOME funds by \$36,000; ▪ Reconveyance of the City Deed of Trust and Release of the Affordability Restrictions 	5.06.380
8/4/11	<p>Approved the reduction of deferred revenue by \$25,000 due to the foreclosure of a First Time Homebuyer loan on Technology Drive. At the time that the senior lender repossessed and foreclosed on the property, the only manner in which the City could have maintained control of the collateral would have been to satisfy the first-lien priority loans the Borrowers owed. This was not economically feasible, as the estimated value of the property was declining (\$315,000 to \$191,000) rapidly and the amount to purchase far exceeded the value.</p>	5.06.380
8/29/11	<p>Approved the following for the single family home located at South 22nd Street, which had declined in value from \$681,940 to \$390,000. The borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of the \$10,000 as full payment of the City loan; ▪ Reduce deferred income by \$247,000; ▪ Reconveyance of the City Deed of Trust and Release of the Affordability Restrictions. 	5.06.380
9/27/11	<p>Approved the following for the single family home located on Auzerais Avenue, which had declined in value from \$456,000 to \$340,000. The borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$25,500 as full payment of one City Loan; ▪ Write off \$25,000 in BEGIN; \$99,500 in 20% funds for a total of \$129,500 as a loss due to short sale; and; ▪ Reconveyance of the City Deed of Trust and Release of the Affordability Restrictions 	5.06.380

**ADDITIONAL ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
FISCAL YEAR 2010 - 2011**

Date	Action	Muni Code Citation
1/6/11	<p>Approved the following actions for the Bill Wilson Center for the Conditional Grant/Performance-based loan for "The Commons" Project pertaining to:</p> <ul style="list-style-type: none"> ▪ An increase in the HOME funding commitment to the project by up to \$117,445 under Section 5.06.340(A)(4) of the DOA; ▪ Specific business terms for the City's performance-based loan to the project under Section 5.06.335 of the DOA; ▪ A change to the loan's priority under Section 5.06.340(A)(3) of the DOA. 	<p>5.06.340 (A)(4)</p> <p>5.06.335</p> <p>5.06.340 (A)(3)</p>
1/21/11	<p>Approved the transfer of eight units affordable to ELI households from InnVision's property located at 96 S 10th Street to another InnVision property located at 1759 Hester Avenue in order to facilitate the sale of the property by the nonprofit agency to help with their cash shortfall.</p>	5.06.380

ATTACHMENT B

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
1st Quarter 2011 – 2012 (July – September)**

REHABILITATION LOANS AND GRANTS	NUMBER	AMOUNT
Rehabilitation Loans	4	\$55,000
Single Family Rehabilitation	3	\$15,000
Mobilehome Rehabilitation	10	\$135,500
TOTAL	17	\$205,500

HOMEBUYER LOANS	NUMBER	AMOUNT
BEGIN – Loan Program	4	\$254,696
Welcome Home Loan Program (CalHome and HOME)	12	\$300,000
Neighborhood Stabilization Program 2	3	\$157,500
Neighborhood Stabilization Program 1	1	521,200
TOTAL	20	\$1,233,396

Housing Trust Fund Grants

AGENCY NAME	PROJECT NAME	FUNDED AMOUNT
The Health Trust	Destination: Home Executive Directory salary	\$79,950
The County of Santa Clara	UPLIFT Transit Pass	\$40,000
TOTAL		\$119,950

TEFRA Hearings held by the Director of Finance

PROJECT NAME	UNITS	LOCATION	BOND AMOUNT	MAYOR'S CERTIFICATE NO.
3rd Street Residential Development	37 Units	1010 South 3 rd Street, San José, CA	\$ 9,000,000	Certificate No. 2011-3 Executed July 29, 2011
Mayfair Court (McCreery) Apartments	93 Units	1884 Alum Roce Avenue, 71,73, 75 McCreery Avenue, San José, CA	\$24,000,000	Certificate No. 2011-4 Executed September, 23, 2011

The public had the opportunity to comment on the projects during the TEFRA hearings. Notices for the meetings were published at least fifteen (15) days prior to the hearing date.