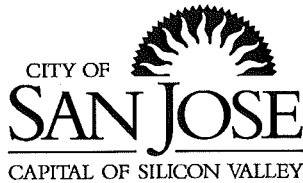


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City Manager's Office



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Corsiglia  
Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** March 22, 2012

Approved

Date

3-22-12

## 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 OCTOBER 1, 2011 THROUGH DECEMBER 31, 2011**

### EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the second quarter of FY 2011-12 (October 1, 2011 through December 31, 2011). During this reporting period, the Director of Housing approved six actions modifying the terms of 11 single family homes, two miscellaneous actions pertaining to multifamily projects, one modification of a small business loan, and the write-off of funds for five First Time Homebuyer loans due to foreclosure. These transactions are listed in Attachment A.

In addition, the Director of Housing approved 19 new rehabilitation loans and grants totaling \$230,934 and 23 new homebuyer loans totaling \$1,190,694. Finally, 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 City 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

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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, 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 October 1, 2011 through December 31, 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 City Council; to make adjustments, within defined parameters, to loans and grants previously approved by the City 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 October 1, 2011 through December 31, 2011.

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**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 A & B

**ATTACHMENT A**

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING  
2<sup>nd</sup> Quarter 2011 – 2012 (October – December)**

#	Date	Action	Muni Code Citation
1	10/12/11	<p>Approved the following for the single family home located at Alum Rock Avenue due to a decline in value from \$390,500 to \$202,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> <li>▪ Allowed the short sale and acceptance of \$6,000 as full payment of the City Loan;</li> <li>▪ Wrote off \$30,000 in BEGIN as a loss; and</li> <li>▪ Reduced HOME funds by \$24,000; and</li> <li>▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions.</li> </ul>	5.06.380
2	10/12/11	<p>Approved the following for the single family home located at Bassett Street due to a decline in value from \$574,950 to \$320,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> <li>▪ Allowed the short sale and acceptance of \$20,160 as full payment of the City Loan; and</li> <li>▪ Reduced deferred income by \$181,440; and</li> <li>▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions.</li> </ul>	5.06.380
3	10/12/11	<p>Approved the following for the single family home located at Rayos del Sol due to a decline in value from \$630,400 to \$358,000, and the borrower could no longer pay the senior mortgage.:</p> <ul style="list-style-type: none"> <li>▪ Allowed the short sale and acceptance of \$10,000 as full payment of the City Loan; and</li> <li>▪ Reduced deferred income by \$197,000; and</li> <li>▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions.</li> </ul>	5.06.380
4	10/12/11	<p>Approved the following for the single family home located at Bonita Place due to a decline in value from \$355,000 to \$180,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> <li>▪ Allowed the short sale and acceptance of \$1,000 as full payment of the City Loans; and</li> <li>▪ Reduced deferred income by \$9,000; and</li> <li>▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions.</li> </ul>	5.06.380
5	10/17/11	<p>Approved the following business terms for the construction/permanent loan for Taylor Oaks Apartments which was approved per City Council direction regarding the approval of the loan for Taylor Oaks Apartment renovation project:</p> <ul style="list-style-type: none"> <li>▪ Specific business terms for a construction/permanent loan in the amount of \$5,250,000;</li> <li>▪ Capitalization of up to \$420,000 in construction period interest to Taylor Oaks Apartment Investors for the rehabilitation of the 59-unit Taylor Oaks Apartments.</li> </ul>	5.06.340 (A)(3)
6	10/20/11	<p>Approved the following for the single family home located at Technology Drive due to a decline in value from \$330,000 to \$165,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> <li>▪ Allowed the short sale and acceptance of \$2,000 as full payment of the City Loan; and</li> <li>▪ Reduced deferred income by \$18,000; and</li> <li>▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions.</li> </ul>	5.06.380

#	Date	Action	Muni Code Citation
7	10/21/11	<p>Approved the following actions due to foreclosure for five (5) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> <li>▪ Wrote off \$30,000 in BEGIN funds;</li> <li>▪ Wrote off of \$21,270 in ADDI funds;</li> <li>▪ Reduced HOME investment by \$160,000; and</li> <li>▪ Reduced deferred revenue by \$278,000.</li> </ul> <p>In each case, it was determined that the only way that the City could have protected the security for its loan would have been to satisfy the senior lenders, which was not economically feasible given declining property values and that the debt secured by the property exceeded its value.</p>	5.06.380
8	11/30/11	<p>Approved the transfer of the Bill Wilson Center Property and the City's Loan from Bill Wilson Center:</p> <ul style="list-style-type: none"> <li>▪ Transferred the Bill Wilson Center property (Project) from Bill Wilson Center, a California nonprofit public benefit corporation (BWC) to Peacock Commons LLC, a California limited liability company (The Commons)</li> <li>▪ Transferred the City's \$1,917,445 performance based loan to the Project from BWC to The Commons</li> </ul> <p>Bill Wilson Center is required by the California Housing Finance Agency to transfer ownership of the Project to a single purpose entity in order to qualify for the Mental Services Act funding.</p>	5.06.340 (A)(12)
9	12/1/11	<p>Approved the following actions for a Loan Payoff and Release of Affordability Restrictions on a Loan for a single family home located on Lakebird Drive:</p> <ul style="list-style-type: none"> <li>▪ Acceptance of the \$40,000 as full payment of the City loan;</li> <li>▪ Reconveyed the City Deed of Trust; and</li> <li>▪ Released the Affordability Restrictions</li> </ul> <p>Borrower is in breach of contract with CalHFA and is unable to sell the property due to the market and determined the only viable option is to pay all the outstanding loans in full.</p>	5.06.380
10	12/21/11	<p>Approved amendments to the loan terms for Reggie Patton DBA Matrix Plumbing through the Revolving Loan Fund to:</p> <ul style="list-style-type: none"> <li>▪ Reduced the current interest rate from 8% to 3%</li> <li>▪ Extended the loan terms from July 1, 2012 to June 1, 2017</li> <li>▪ Forgave late fees of \$1,581.54, reducing the outstanding balance from \$22,055.12 to \$20,473.58.</li> </ul> <p>An analysis of financial statements shows that the business' net profit has been minimal from 2009 to 2010.</p>	5.06.340 (A)(1)

**ATTACHMENT B**

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING  
2<sup>nd</sup> Quarter 2011 – 2012 (October – December)**

*Single Family Rehabilitation and Improvement Loans and Grants approved by the Director of Housing during the Second Quarter of FY 2011-12.*

<b>REHABILITATION LOANS AND GRANTS</b>	<b>NUMBER</b>	<b>AMOUNT</b>
Rehabilitation Loans	2	\$30,000
Single Family Rehabilitation	3	\$20,000
Mobilehome Rehabilitation	14	\$180,934
<b>TOTAL</b>	<b>19</b>	<b>\$230,934</b>

*Homebuyer Loans approved by the Director of Housing during the Second Quarter of FY 2011-12.*

<b>HOMEBUYER LOANS</b>	<b>NUMBER</b>	<b>AMOUNT</b>
BEGIN – Loan Program	7	\$538,492
Welcome Home Loan Program (CalHome and HOME)	9	\$225,000
Neighborhood Stabilization Program 2	7	\$427,202
<b>TOTAL</b>	<b>23</b>	<b>\$1,190,694</b>

*Housing Trust Fund Grants*

There were no Housing Trust Fund Grants approved by the Director of Housing during this quarter.

*TEFRA Hearings held by the Director of Finance*

<b>PROJECT NAME</b>	<b>UNITS</b>	<b>LOCATION</b>	<b>BOND AMOUNT</b>	<b>MAYOR'S CERTIFICATE NO.</b>
First and Rosemary Family Apartments	184 Units	66 and 80 East Rosemary Street, San José, CA	\$ 36,000,000	Certificate No. 2011-05 Executed December 16, 2011
First and Rosemary Senior Apartments	106 Units	66 and 80 East Rosemary Street, San José, CA	\$15,500,000	Certificate No. 2011-06 Executed December 16, 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.