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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: May 9, 2012

Approved

Date

5-10-12

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 JANUARY 1, 2012 THROUGH MARCH 31, 2012

EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the third quarter of FY 2011-12 (January 1, 2012 through March 31, 2012). During this reporting period, the Director of Housing approved actions modifying the terms of three single-family homes, one miscellaneous action pertaining to a multifamily project, and the write off of funds for 22 First Time Homebuyer loans due to foreclosure. These transactions are listed in Attachment A.

In addition, the Director of Housing approved 50 new rehabilitation loans and grants totaling \$765,500 and 22 new homebuyer loans totaling \$961,194. Finally, the Director of Finance held one (1) TEFRA hearing for a project during this reporting 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 DOA was amended by Ordinance No. 26127 to clarify certain sections and to add several other provisions. On June 25, 2002, the DOA 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, 2007,

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the DOA 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 DOA 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 January 1, 2012 through March 31, 2012.

ANALYSIS

The DOA 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 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 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 during the period of January 1, 2012 through March 31, 2012.

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
3rd Quarter 2011 – 2012 (January – March 2012)**

#	Date	Action	Muni Code Citation
1	1/12/12	<p>Approved the following for the single family home located at Patterson Street due to a decline in value from \$310,000 to \$155,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of \$3,000 as full payment of the City Loan; ▪ Wrote off \$27,000 in BEGIN as a loss; ▪ Reduced deferred income by \$29,600; and ▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions. 	5.06.380
2	1/23/12	<p>Approved the following actions due to foreclosure for three (3) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Reduced HOME investment by \$60,000; and ▪ Reduced deferred revenue by \$263,800. <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
3	1/23/12	<p>Approved the following actions due to foreclosure for three (3) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Wrote off \$60,000 in BEGIN funds; ▪ Wrote off \$23,550 in ADDI funds; ▪ Reduced HOME investment by \$90,000; and ▪ Reduced deferred revenue by \$50,000. <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
4	1/30/12	<p>Approved the following for the single family home located at Patterson Street due to a decline in value from \$425,000 to \$224,500, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of \$4,250 as full payment of the City Loan; ▪ Wrote off \$25,740 in BEGIN as a loss; and ▪ Reduced deferred income by \$74,276; and ▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions. 	5.06.380
5	2/10/12	<p>Approved the following actions due to foreclosure for four (4) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Reduced deferred investment revenue by \$647,000. <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

#	Date	Action	Muni Code Citation
6	2/10/12	<p>Approved the following actions due to foreclosure for nine (9) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Wrote off \$390,000 in 20% funds; ▪ Wrote off \$120,000 in BEGIN funds; and ▪ Reduced deferred revenue by \$5,000. <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
7	3/7/12	<p>Approved the write off balance in "Due From Outside Agency Account" related to the Dorchester Property. The property, located at 295 E. San Fernando and 79 South 7th Streets, was managed by HMS Development Inc. In 2005, the tenants vacated and the property was sold to San Jose State University. This receivable is no longer valid since the property was sold and all rents were fully collected.</p>	5.06.380
8	3/12/12	<p>Approved the following actions due to foreclosure for three (3) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Wrote off \$5,000 in 20% funds; ▪ Wrote off \$90,000 in BEGIN funds; ▪ Wrote off \$21,270 in ADDI funds; and ▪ Reduced HOME investment by \$50,000. <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
9	3/15/12	<p>Approved the following for the single family home located at W. Alma Avenue due to a decline in value from \$390,000 to \$289,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of \$125,461.24 as full payment of the City Loan; ▪ Wrote off \$19,538.76 in BEGIN as a loss; and ▪ Reconveyed the City Deed of Trust and released the Affordability Restrictions 	5.06.380

ATTACHMENT B

ACTIONS TAKEN BY THE DIRECTOR OF HOUSING 3rd Quarter 2011 – 2012 (January – March 2012)

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

REHABILITATION LOANS AND GRANTS	NUMBER	AMOUNT
Rehabilitation Loans	9	\$480,000
Single Family Rehabilitation	12	\$47,000
Mobilehome Rehabilitation	29	\$238,500
TOTAL	50	\$765,500

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

HOMEBUYER LOANS	NUMBER	AMOUNT
BEGIN – Loan Program	6	\$330,994
Welcome Home Loan Program (CalHome and HOME)	9	\$175,000
Neighborhood Stabilization Program 2	7	\$455,200
Neighborhood Stabilization Program 1	0	0
TOTAL	22	\$961,194

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

PROJECT NAME	UNITS	LOCATION	BOND AMOUNT	MAYOR'S CERTIFICATE NO.
La Moraga Apartments	275 Units	Southeast corner of Raleigh Rd. and Charlotte Dr., San José, CA	\$ 53,500,000	Certificate No. 2012-1 Executed February 7, 2012

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.