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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: November 16, 2012

Approved

Date

11/16/12

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, 2012 THROUGH SEPTEMBER 30, 2012

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 2012-13 (July 1, 2012 through September 30, 2012). During this reporting period, the Director of Housing approved actions modifying the terms of seven single-family homes, two miscellaneous actions pertaining to multifamily projects, and the write off of funds for seven first time homebuyer loans due to foreclosure. These transactions are listed in Attachment A.

In addition, the Director of Housing approved 29 new rehabilitation loans and grants totaling \$403,000 and six new homebuyer loans totaling \$387,806. The Director of Finance held no TEFRA hearing during this reporting period.

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, 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 July 1, 2012 through September 30, 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 July 1, 2012 through September 30, 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 A & B

ATTACHMENT A

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
1st Quarter 2012 – 2013 (July – September 2012)**

#	Date	Action	Muni Code Citation
1	7/10/12	Approved the technical changes in the HOME Agreement with Fourth Street Apartments, L.P., the borrowing entity for First Community Housing's Fourth Street Apartments located at 1460 North Fourth Street. The May 2010 HOME Agreement inadvertently omitted the project's number of HOME units as captured in the recorded affordability restrictions and was also missing verbiage regarding procedures for HOME unit identification and recertification.	5.06.340 (A)(9)
2	7/12/12	Approved the following for the single family home located on The Alameda: <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of the \$57,782.23 as full payment of the City Loan; ▪ Reduce deferred income by \$186,017.77; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. The City received information that the property would be listed for a short sale. Borrowers met with the ForeclosureHelp Center and, after review of financial information, determined that the borrowers have a financial hardship.	5.06.380
3	7/12/12	Approved the following for the single family home located at Technology Drive: <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$1,000 as full payment of the City Loan; ▪ Reduced deferred income by \$39,000; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. The City received information that the property would be listed for a short sale. Staff's review of the borrower's financial information indicates that the borrower can no longer afford to pay the senior mortgage. Borrower's monthly income has been reduced by his employer.	5.06.380
4	7/16/12	Approved the write-off of a mobilehome repair loan for a mobilehome located in the Chateau La Salle Mobile Home Park in the principal amount of \$20,000 at 0% interest. Staff was informed that one of the two borrowers had passed away and the other had been taken to a Veterans Hospital. In March 2012, the Housing Department received a request from Business & Escrow Service Center, Inc. requesting that we release our lien because the senior lienholder was foreclosing on the mobilehome. Since the Housing Department's lien was eliminated by the First Lender's repossession, our loan is now unsecured and in default.	5.06.380
5	7/16/12	Approved the following for the single family home located at Hennessy Place <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$23,857 as full payment of the City Loan; ▪ Write off \$97,614 in 20% and \$27,000 in BEGIN funds for a total of \$124,614 as a loss due to short sale; ▪ Reduced deferred income by \$90,000; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. The City received information that the property would be listed for a short sale. Staff's review of the borrowers' financial information indicates that the borrowers can no longer afford to pay the senior mortgage. Because of the job loss of the first borrower, he had to relocate to Texas with a new employer. The second borrower has not been employed since late 2011.	5.06.380

#	Date	Action	Muni Code Citation
6	8/7/12	<p>Approved the following for the single family home located at Shadowgraph Drive:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$6,500 as full payment of the City Loan; ▪ Reduced HOME funds by \$58,500; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Staff's review of the borrower's financial information indicates that the borrower can no longer afford to pay the senior mortgage. Because of borrower's reduced income due to budget cuts in the education system and pay decreases, her debt to ratio increased and she was forced to use credit cards to make ends meet. As a result, she exhausted her savings and could no longer afford her mortgage.</p>	5.06.380
7	8/7/12	<p>Approved the following actions due to foreclosure in June 2012 for three (3) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Wrote off \$85,000 in 20% funds; and ▪ Reduced HOME investment by \$60,000. <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
8	8/28/12	<p>Approved the following for the single family home located on Vinedale Square:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of the \$6,500 as full payment of the City Loan; ▪ Write off \$58,500 in 20% funds as a loss due to short sale; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrowers met with the ForeclosureHelp Center and, after review of financial information, determined that the borrowers have a financial hardship. The borrowers' financial distress is exacerbated by unemployment of the first borrower, in-laws living with them due to aging and illness, and a 3% pay cut to second borrowers employment with the school district.</p>	5.06.380
9	9/7/12	<p>Approved the following for the single family home located on East Julian Street:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of the \$12,380 as full payment of the City Loan; ▪ Write off \$17,620 in BEGIN, and \$45,000 in 20% funds for a total of \$62,620 as a loss due to short sale; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrower met with the ForeclosureHelp Center and, after review of financial information, determined that the borrower has a financial hardship. Borrower is self-employed and his business revenue has declined over the last couple of years due to the economy.</p>	5.06.380
10	9/17/12	<p>Approved the following actions due to foreclosure in July 2012 for four (4) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Reduced deferred revenue by \$300,876; and ▪ Reduced HOME investment by \$25,000. <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</p>	5.06.380

#	Date	Action	Muni Code Citation
		the property exceeded its value.	
11	9/24/12	<p>Approved the amendment to the agreement with respect to the City Loan to Lenzen Housing LP. Allowed the borrower to:</p> <ul style="list-style-type: none"> ▪ use funds from the replacement reserves to fund a rate lock fee approximately ten days prior to loan closing; and ▪ use the remaining replacement reserves at closing to pay transaction costs, subject to the funding of a new replacement reserve of \$145,000 from the senior loan proceeds. <p>The purpose of the refinancing is to significantly reduce the debt service on the project which will ensure that other necessary project expenses are met and increase the size of residual receipt distributions available for principal and interest payment on the City loan, as well as to the limited and general partners.</p>	5.06.340

ATTACHMENT B

ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
1st Quarter 2012 – 2013 (July – September 2012)

Single Family Rehabilitation and Improvement Loans and Grants approved by the Director of Housing during the First Quarter of FY 2012-13.

REHABILITATION LOANS AND GRANTS	NUMBER	AMOUNT
Rehabilitation Loans	10	\$200,000
Single Family Rehabilitation Grants	17	\$173,000
Mobilehome Rehabilitation Grants	2	\$30,000
TOTAL	29	\$403,000

Homebuyer Loans approved by the Director of Housing during the First Quarter of FY 2012-13.

HOMEBUYER LOANS	NUMBER	AMOUNT
BEGIN – Loan Program	3	\$248,106
Welcome Home Loan Program (CalHome and HOME)	1	\$25,000
Neighborhood Stabilization Program 2	2	\$114,700
TOTAL	6	\$387,806

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

There were no TEFRA Hearings held during this quarter.