



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Housing Commission Agenda of May 11, 2001

REPORT NO.: HCR01-021 **Item 101**

SUBJECT: Rehabilitation Loan – 3530 ‘J’ Street (Council District 4)

SUMMARY

Issue: Should the Housing Commission, working with the City of San Diego Neighborhood Code Compliance Division, assist a senior citizen in rebuilding her unsafe and dilapidated home?

Recommendation: That the Housing Commission approve Loan Committee’s recommendation for rehabilitation financing in the form of a \$50,000 first trust deed loan and a \$27,000 second trust deed loan to Vernela Smith secured by the property at 3530 ‘J’ Street.

Fiscal Impact: Approval of the loans would result in the expenditure of \$50,000 in Mt. Hope Redevelopment Set-Aside Funds and \$27,000 in Housing Trust Funds.

Certificate of Funding Availability:

Certificate No:	01-135
Amount:	\$77,000
Revenue Source:	Mt. Hope Redevelopment Set-Aside Fund \$50,000 Housing Trust Fund \$27,000
Division:	Housing Finance/Rehabilitation
Line Item:	Loans and Grants



Environmental Review: Rehabilitation loans are exempt from California Environmental Quality Act (CEQA) review pursuant to Section 15061 (b)(3) of the CEQA Guidelines, and categorically excluded from the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58, Section 58.34(a). An environmental review for this property is on file at the Housing Commission

Previous Related Action(s): On November 14, 1994, the Housing Commission approved the Redevelopment Area Rehabilitation Policy 600.204. On May 12, 1998, the Housing Commission approved the amended Owner-Occupied Housing Rehabilitation Policy 600.203. On January 30, 2001, the Loan Committee approved a first trust deed loan of \$50,000 and a second trust deed loan of \$5,000 for the subject property. On March 20, 2001, the Loan Committee approved increasing the second trust deed loan to \$12,000 (Attachment 1). On May 1, 2001, the Loan Committee approved increasing the second trust deed loan to \$27,000 because previously designated City funds did not materialize (Attachment 2).

BACKGROUND

City of San Diego Neighborhood Code Compliance Division (NCC) inspected the property at 3530 ‘J’ Street and found it to be seriously dilapidated. NCC referred the owner, Vernela Smith, to the Housing Commission for financial and technical assistance.

DISCUSSION

In September 2000, Vernela Smith submitted an application for funding under the Housing Commission’s Redevelopment Area Rehabilitation Program for Mt. Hope.

The Borrower

Vernela Smith is a disabled senior citizen living on a fixed income derived from Social Security and Supplemental Social Security equivalent to 23 percent of median area income. Ms. Smith has limited credit with only one open account. The account reflects a minimal balance and has been paid as agreed. The preliminary title report does reflect a Grant of Lien for a hospital bill that was paid by the County of San Diego on her behalf. The Department of Revenue and Recovery has agreed to subordinate the \$3,087 lien to the rehabilitation loan.

Ms. Smith acquired the subject property in 1970 and owns it free and clear of any mortgage loans. Presently, title to the property is vested in the name of Vernita White,

which is a name that Ms. Smith used from 1966 to 1977. A quitclaim deed will be recorded, concurrently with the funding of the rehabilitation loan, in the name of Vernela Smith.

The Property

The existing structure was built in 1926 and consists of three bedrooms and one bathroom with approximately 883 square feet. There is a detached single-car garage. NCC has inspected the property and is requiring the unsafe structure to be abated. It was determined that rehabilitation of the existing structures is not financially feasible; therefore, they will be demolished. A new 780 square foot, two-bedroom/one bath single-family dwelling will be constructed with an attached two-car garage.

The Funding Request

The cost to rebuild the house and garage is estimated at \$80,000. Alpha Project will demolish the existing structures free of charge. The funding sources are as follows:

1 st TD	Mt. Hope Redevelopment Set-Aside Fund	\$50,000
2 nd TD	Housing Trust Fund	27,000
Grant	Latino Builders CDBG Fund	<u>3,000</u>
	TOTAL PROJECT FUNDS	\$80,000

The Loan

The Housing Commission will fund the \$50,000 first trust deed loan with funds from SEDC under the Redevelopment Area Rehabilitation Policy 600.204. The \$27,000 second trust deed loan will be funded with Housing Trust Fund monies in accordance with the Owner-Occupied Housing Rehabilitation Policy 600.203.

Appraised After-Construction-Value: \$135,000

Security: The Commission’s funds will be secured by two deeds of trust recorded against the property.

Loan-to-Value: The after-construction loan-to-value is 57 percent.

Term: The \$50,000 first trust deed loan is deferred with a three percent interest rate and is due in full upon sale, transfer of ownership or 15 years from the date of the loan. The \$27,000 second trust deed loan is at three percent simple interest for 15 years. The loan repayment will be \$113.00 per month. This payment has been tailored to an

amount that is affordable to the owner and will result in a 30 percent total debt-to-income ratio.

Additional Information

All loan and grant funds will be deposited into a fund control. The Housing Commission will oversee the demolition of the existing structures and construction of the new house and garage.

It will be necessary for Ms. Smith to relocate during the demolition and construction phase. She will be staying with relatives until she can move into her new home; therefore, no funds are needed for relocation expenses.

On May 1, 2001, the Loan Committee recommended Housing Commission approval of the \$80,000 rehabilitation project. This recommendation includes the Housing Commission providing a total of \$77,000 in project funds, with terms and conditions as stated within this report, and supplemented by funds from the Latino Builders.

Approval of the Loan Committee recommendation will allow for replacement of the existing unsafe dilapidated structures currently occupied by Ms. Smith, a very low income disabled senior adult.

ALTERNATIVES

Deny Ms. Smith’s request for financial assistance from the Housing Commission. NCC has stated the existing structure at 3530 ‘J’ Street is not safe and must be abated, and has already instructed Ms. Smith to vacate the premises. Without the Housing Commission financing, her home could not be rebuilt.

Respectfully submitted,

Steven L. Mikelman
Director of Operations

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

Monce (Smith.HC)

Attachment 1: March 20, 2001 Loan Committee Report

Attachment 2: May 1, 2001 Loan Committee Report