



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Housing Commission Agenda of June 1, 2001

REPORT NO.: HCR01-065 **Item 101**

SUBJECT: Rehabilitation Loan – 4802 Felton Street (Council District 3)

SUMMARY

Issue: Should the Housing Commission assist a senior citizen in rebuilding her unsafe and dilapidated home?

Recommendation 1: That the Housing Commission approve Loan Committee’s recommendation to supplement the owner’s funds of \$75,000 by providing a rehabilitation loan of \$66,000 to complete the demolition and reconstruction of a single family dwelling at 4802 Felton Street.

Recommendation 2: That the Housing Commission provide an exception to Owner-Occupied Housing Rehabilitation Program guidelines that limits eligibility to homes with an after rehabilitation value of 110% of median single family home values in San Diego (currently \$263,175). The subject property would be valued after completion at \$280,000.

Certificate of Funding Availability:

Certificate No:	01-159
Amount:	\$66,000
Revenue Source:	Rental Rehabilitation Program Income
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 May 12, 1998, the Housing Commission approved the amended Owner-Occupied Housing Rehabilitation Policy 600.203. On May 15, 2001, the Loan Committee recommended Housing Commission approval to fund a \$66,000 rehabilitation loan for the subject property.

BACKGROUND

Mrs. Ordoná acquired the property located at 4802 Felton Street in 1952. In September 1999, she refinanced her house and received \$75,000 for the needed repairs to her home. The owner selected a contractor and his bid was \$141,000 for the demolition and construction of a new single-family residence. Realizing that she did not have sufficient funds to rebuild her home, Mrs. Ordoná contacted the Housing Commission for financial and technical assistance.

DISCUSSION

In January 2001, Mrs. Ordoná submitted an application for funding under the Housing Commission's Owner-Occupied Housing Rehabilitation Program.

The Borrower

Mrs. Ordoná is a retired schoolteacher and mother of 13 children. Her son, Joseph, is disabled and also occupies the subject property. She has limited credit with all accounts paid as agreed. Mrs. Ordoná receives a monthly income derived from a Civil Service Annuity for herself and her son, State Teacher's Retirement, Social Security and Supplemental Social Security income for Joseph. Her income is equivalent to 51 percent of median area income for a family of two.

The Property

The existing structure was built about 1920 and consists of three bedrooms/one and one-half baths with approximately 1290 square feet. The house is in very poor condition due to extensive termite damage and footings with dry rot damage. Staff has inspected the property and determined it is not financially feasible to rehabilitate; therefore, it will be demolished upon loan approval. A new 1290 square foot, three-bedroom/two bathroom single-family dwelling will then be constructed.

The Funding Request

The cost to rebuild the house is estimated at \$141,000. The funding sources are as follows:

Owner's Funds	\$ 75,000
Rental Rehabilitation Program Income	<u>66,000</u>
TOTAL PROJECT FUNDS	\$141,000

The owner's funds are the proceeds that she received from the refinance of her home in 1999.

The Loan

The Housing Commission will fund the \$66,000 second trust deed loan in substantial accordance with the Owner-Occupied Housing Rehabilitation Program Policy 600.203 (see page 4, Exemption to Program Guidelines).

Appraised After-Completion-Value: \$280,000

Security: The Commission's funds will be secured by a second trust deed recorded against the property.

Loan-to-Value: The after-completion loan-to-value is 50 percent.

Term: The Housing Commission's financing is at three percent simple interest for 15 years. Pursuant to the program guidelines, the repayment of the loan will be based on the homeowner's ability to make payments, considering debt and rehabilitation costs in relation to household income. Staff is recommending an interest only, partially deferred loan requiring a monthly payment of \$165. The outstanding principal balance will be due upon sale, transfer of ownership, or 15 years from the loan date. If at the end of the 15 years the borrower is incapable of repaying the loan, the partially deferred loan may be extended for additional five-year terms. The interest only payment is an amount that is affordable to the owner and will result in a 41 percent total debt-to-income ratio.

Exemption to Program Guidelines

Pursuant to the Owner-Occupied Housing Rehabilitation Program guidelines, to be considered eligible for rehabilitation program participation, properties must have an after-completion appraised value not exceeding 110 percent of the median price of single-family homes in San Diego as published by the U.S. Department of Housing and Urban Development. Presently, the published median priced home is \$239,250, resulting in a 110 percent value of \$263,175.

An appraisal of the property indicated the ‘as-is’ value of 4802 Felton Street is \$230,000; with an after-completion-value of \$280,000. The after-completion value will exceed the maximum of \$263,175 for program participants. Staff is requesting the subject property be exempted from the program guidelines; Mrs. Ordoná’s property is unsafe and must be demolished and without Housing Commission assistance she would be financially incapable of rebuilding her home.

Additional Information

The owner’s funds and rehabilitation loan proceeds will be deposited into a fund control. The Housing Commission will oversee the demolition of the existing structure and construction of the new house.

It will be necessary for Mrs. Ordoná and her son to relocate during the demolition and construction phase. They will be staying with her daughter until they can move into their new home; therefore, no funds are needed for relocation expenses.

On May 15, 2001, the Loan Committee recommended Housing Commission approval of the \$141,000 rehabilitation project. This recommendation includes the Housing Commission providing \$66,000 in project funds.

Approval of the Loan Committee recommendation will allow for replacement of the existing unsafe dilapidated structure currently occupied by a low-income senior citizen and her disabled son.

ALTERNATIVES

Deny Mrs. Ordoná’s request for financial assistance from the Housing Commission. Without the Commission’s financing, her home could not be rebuilt.

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Respectfully submitted,

Steven L. Mikelman
Director of Operations

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**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

Attachment 1: May 15, 2001 Loan Committee Report