



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Agenda of September 21, 2001 **Item 103**

REPORT NO: HCR01-101

SUBJECT: Owner-Occupied Housing Rehabilitation Policy Revisions (Citywide)

SUMMARY

Issue: Should the Housing Commission recommend Housing Authority approval of the following revisions to the Owner-Occupied Housing Rehabilitation Policy (PO600.203) to keep pace with current conditions?

Recommendation: That the Housing Authority approve the following revisions of the Owner-Occupied Housing Rehabilitation Policy (PO600.203), which are indicated in Attachment 1:

1. Increase the maximum amount of the No Interest Deferred Payment Loan for single family residences from \$5,000 to \$10,000, and increase the income eligibility limit from 50% Median Area Income (MAI) to 60% MAI.
2. Increase the maximum amount of the Mobile Home Repair Grant from \$3,000 to \$3,500, and increase the income eligibility limit from 50% MAI to 60% MAI.
3. Revise the loan terms for owner-occupied housing rehabilitation loans exceeding \$45,000 for single unit properties and \$100,000 for 2-4 unit properties from 3% simple interest fifteen year amortized or partially deferred loan to shared equity no interest deferred loans requiring repayment of loan principal and a diminishing share of equity up to fifteen years after loan date, as described in Attachment 2.

Fiscal Impact: None; approval of this action is within budgetary guidelines.

Affordable Housing Impact: While the increased per unit loan and grant amounts would reduce the total number of homeowners being assisted, the increases are necessary to cover increased construction costs. The increase in income eligibility from 50% to 60% Median Area Income will allow more low income homeowners to qualify for assistance.

Previous Related Actions: On April 13, 1998 (HCR98-041) and May 12, 1998 (HAR98-007) the Housing Commission and Housing Authority, respectively, approved the modification of the Home Repair Grant Program from \$3,000 to \$5,000 and renamed it the “No Interest Deferred Home Repair Loan Program.”

BACKGROUND

The Housing Commission’s Housing Rehabilitation Program has historically offered a grant or deferred loan to very low income homeowners who could not meet the underwriting guidelines of the more substantial 3% interest rehabilitation loans, or had fewer health and safety hazards to eliminate. It began as a \$1,500 grant and, as rehabilitation costs increased, the grant amount increased to \$2,000, and \$3,000. In 1998 the grants became \$5,000 No Interest Deferred Payment Loans which are repaid upon sale or further encumbrance. Similarly, Mobile Home Repair Grants have increased through the years from \$2,000 to \$3,000. Current rehabilitation costs now prompt a recommendation to increase these loan and grant limits.

In another aspect of the housing rehabilitation program, two 3% interest owner-occupied housing rehabilitation loans were approved this year by the Housing Commission and Housing Authority, however, there were concerns about the high per-unit costs and possible windfall profits to the owners. The revisions proposed in this report attempt to address those concerns.

DISCUSSION

Mobile Home Grants and Single Family No Interest Deferred Loans

Historically, the Housing Commission has provided rehabilitation assistance to over 1,000 very low income mobile home owners and over 750 single family homeowners through the grant and No Interest Deferred Loan program. Approximately \$390,000 has been budgeted this fiscal year to assist 130 mobile home grant recipients, and another \$460,000 has been budgeted to provide 92 no interest deferred loans to single family homeowners.

The majority of mobile home and single family home owners applying for assistance are elderly with fixed incomes. The income standard for these programs has historically been limited to 50% of Median Area Income (MAI). An increasing number of elderly applicants have been denied because they narrowly exceed that limit. It is proposed that the income limit for these two programs be increased to 60% MAI, which is still low income and is the income standard for beneficiaries of federal HOME Program funds.

The most common assistance provided to mobile home owners is the replacement of insulated roofing, which now exceeds \$3,000 in most cases. By increasing the amount of this grant to \$3,500, the majority of costs would be covered without greatly diminishing the number of mobile home owners assisted within the same budget.

In the case of single family homeowners, few applicants can qualify for the more substantial 3% interest amortized loans due to debt ratio and credit issues. Most of those homeowners can be assisted with the No Interest Deferred Loan Program, however, it is recommended that the current \$5,000 limit be increased to \$10,000 to keep pace with increasing costs associated with eliminating health and safety hazards. These loans are well secured.

1-4 Unit Owner-Occupied Substantial Loan Program

Homeowners residing in one- to four-unit properties who have incomes up to 80% MAI are currently offered a 3% simple interest loan amortized for fifteen years, or partially deferred requiring minimally a \$50 monthly payment with the balance due after fifteen years. These loans are approvable by the Housing Commission's Chief Executive Officer up to \$35,000 for a single unit, or up to \$50,000 for two to four units. The Housing Commission Loan Committee has authority to approve up to \$45,000 for a single unit and \$100,000 for a 2-4 unit property. In addition, the Loan Committee must approve payment plans other than fully amortized loans.

Staff proposes that owner-occupied rehabilitation loans exceeding Loan Committee authority (i.e., \$45,000 for single units, and \$100,000 for 2-4 unit properties), be offered on a Shared Equity no interest deferred loan basis similar to that used in the existing First Time Home Buyer Program administered by the Housing Commission (Attachment 2). This would replace the current 3% interest repayment terms with a Housing Commission share of equity diminishing over fifteen years, a deterrent to potential owner windfall profits upon quick resale.

ALTERNATIVE

Continue operations using existing Owner-occupied Housing Rehabilitation Policies without revision.

Respectfully submitted,

Patricia Duplechan
Director of Housing Programs

**Signature on File
With Original Document**

Approved,

Elizabeth C. Morris
Chief Executive Officer

KNUDSON

ATTACHMENTS

1. Owner-Occupied Housing Rehabilitation Policy 600.203 (Strikethrough version)
2. Proposed Housing Rehabilitation Shared Equity Loan Guidelines