



EXECUTIVE SUMMARY

DATE ISSUED: December 21, 2011

REPORT NO: HCR12-017

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 20, 2012

SUBJECT: Proposed Fiscal Year 2012 Budget Revision **COUNCIL DISTRICT:** 3, 4, 7, 8

SUMMARY:

On October 1, 2008, the Housing and Recovery Act of 2008 was enacted. Under the Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes Provision, the City of San Diego was awarded \$9,442,370 for the Neighborhood Stabilization Program ("NSP"). The San Diego Housing Commission ("Housing Commission") administers the NSP activities on behalf of the City. On September 15, 2009, the Housing Authority of the City of San Diego ("Housing Authority") expanded the NSP to include a direct purchase component. This allowed the Housing Commission to directly purchase foreclosed or abandoned properties from the banks or from any other sources available to us. Once acquired, the Housing Commission immediately offered the properties for sale to eligible NSP buyers.

As required by the NSP regulations, \$9.4 million was expended or committed prior to the September 2010 deadline. Since that time additional program income funds have accumulated and there is money remaining from the original award of NSP funds. Presently, \$966,254 is available in NSP program funds. Housing Commission staff is proposing to place all NSP funds in the Direct Purchase Program. The money can only be used for eligible NSP costs and activities and must be expended by March 2013. The funds will be used to purchase approximately eight to eleven homes, which will then be resold to eligible first time homebuyers.

STAFF RECOMMENDATION:

Housing Commission recommends the Housing Authority approve the following revisions to the Fiscal Year 2012 Homeownership budget for the purchase of foreclosed properties under the Neighborhood Stabilization Program ("NSP") and authorizes the President and Chief Executive Officer to revise the budget to include program income funds generated through the resale of these acquisitions for first time homebuyers, rehabilitation, additional acquisitions and administrative costs. The revisions to the Homeownership activities are:

1. The addition of \$242,505 of NSP carryover and payoff funds to site acquisition;
2. The transfer of \$168,561 from loans and grants to site acquisition; and
3. The transfer of \$555,188 of excess NSP administrative funds from reserves to site acquisition.

FISCAL CONSIDERATIONS:

The proposed revision to the fiscal year 2012 budget will result in an alternative means to achieve homeownership offered to eligible buyers.

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SAN DIEGO
HOUSING
COMMISSION

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ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 20, 2012

SUBJECT: Proposed Fiscal Year 2012 Budget Revision

COUNCIL DISTRICTS: 3, 4, 7 and 8

REQUESTED ACTION:

San Diego Housing Commission ("Housing Commission") recommends the Housing Authority of the City of San Diego ("Housing Authority") approve the proposed revisions to the Fiscal Year 2012 Budget, as outlined in this report.

STAFF RECOMMENDATION:

Housing Commission recommends the Housing Authority approve the following revisions to the Fiscal Year 2012 Homeownership budget for the purchase of foreclosed properties under the Neighborhood Stabilization Program ("NSP") and authorizes the President and Chief Executive Officer to revise the budget to include program income funds generated through the resale of these acquisitions for first time homebuyers, rehabilitation, additional acquisitions and administrative costs. The revisions to the Homeownership activities are:

1. The addition of \$242,505 of NSP carryover and payoff funds to site acquisition;
2. The transfer of \$168,561 from loans and grants to site acquisition; and
3. The transfer of \$555,188 of excess NSP administrative funds from reserves to site acquisition.

SUMMARY:

On October 1, 2008, the Housing and Recovery Act of 2008 was enacted. Under the Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes Provision, the City of San Diego was awarded \$9,442,370 for the NSP. The Housing Commission administers the NSP activities on behalf of the City.

The NSP has several components, including a first time homebuyer ("FTHB") financing mechanism which provides funds to help eligible buyers purchase a home, plus additional funds to rehabilitate the home. On September 15, 2009, the Housing Authority expanded the NSP to include a direct purchase component. This allowed the Housing Commission to directly purchase foreclosed or abandoned properties from the banks, Fannie Mae or from any other sources available to us, in accordance with Housing Commission Real Estate Acquisition Policy No. 300.103. Once acquired, the Housing Commission immediately offered the properties for sale to eligible first time homebuyers. The buyers could access the NSP first time homebuyer program funds to help them purchase the home and rehabilitation funds to complete repairs to the property after the close of escrow. The Housing Authority approved revisions to the fiscal year 2010 Housing Commission budget to place \$1.7 million of NSP

funds for the Direct Purchase Program. The funds were used to purchase eight homes and the properties were then resold to eligible first time homebuyers (Attachment 1). The sale of the homes generated \$1,649,600 in program income funds. Ten percent of the program income funds can be used for administration.

As required by the NSP regulations, \$9.4 million was expended or committed prior to the September 2010 deadline. Since that time additional program income funds have accumulated through repayment of a few first time homebuyer and rehabilitation loans. Also, due to the NSP requirements to spend program income funds prior to new funds, there is money remaining from the original award of NSP funds. An internal review of the NSP funds concluded an additional \$966,254 is available in NSP funds. These funds are a combination of unspent program funds, program income dollars and carry-over funds, see Attachment 2 for details. The money can only be used for eligible NSP costs and activities and must be expended by March 2013.

The Direct Purchase Program is the most effective means to spend the funds in the limited time available. The funds will be used to purchase additional homes, then resell them to eligible first time homebuyers. The program will have the same guidelines as previously authorized. The Housing Commission will purchase 8-10 homes directly from the banks or Fannie Mae at a minimum of one percent below the appraised value. During the time the property is in escrow, the Housing Commission will have a termite report completed, property inspected by the Commission's rehabilitation staff, property appraised to confirm compliance with NSP requirements, and if necessary, tested for lead-based paint and an asbestos inspection. Once escrow closes, the property will be listed for sale with a real estate agent and made available to eligible NSP buyers.

The program income funds generated through the sale will be used to provide first time homebuyer assistance to help the buyers purchase the home, and rehabilitation and relocation funds to complete needed repairs to the property. The funds will also create additional money for administration that will be available to pay staff costs and future servicing and compliance monitoring functions and funds for the acquisition of properties.

FISCAL CONSIDERATIONS:

The proposed revision to the fiscal year 2012 budget will result in an alternative means to achieve homeownership offered to eligible buyers.


PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On April 20, 2010, the Housing Authority adopted the Housing Commission Real Estate Disposition Policy. On September 15, 2009, the Housing Authority approved revisions to the Neighborhood Stabilization Program, creating the Direct Purchase Program. On March 19, 2009, the Housing Authority approved revisions to the Real Estate Acquisition Policy No. 300.103.


ENVIRONMENTAL REVIEW:

This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA guidelines. This activity is also determined to be exempt from review under the National Environmental Policy Act per 24 CFR 58.34(a)(3).

Respectfully submitted,


Vicki Monce
Loan Services Manager
Real Estate Department

Approved by,


Deborah N. Ruane
Senior Vice President
Real Estate Department

Attachments: 1 - NSP Direct Purchase Summary
2 - Fiscal Year 2012 Expense Budget Revision by Expenditure Type

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1

**NEIGHBORHOOD STABILIZATION PROGRAM
DIRECT PURCHASE PROPERTIES**

PURCHASE TRANSACTION							
ADDRESS	PURCHASE PRICE	CLOSING COSTS PAID BY SDHC	ESCROW REFUND	APPRAISAL REPORT	LEAD / ASBESTOS TESTING	TERMITE REPORT & HOLDING COSTS	TOTAL COST TO ACQUIRE & HOLD
4868 68TH ST.	\$ 330,000	\$ 1,766	\$ (389)	\$ 450	\$ 614	\$ 545	\$ 332,986
321 LOS SONETO DR.	\$ 145,000	\$ 1,180	\$ (294)	\$ 1,000	\$ 856	\$ 816	\$ 148,558
3634 POLK AVE.	\$ 188,659	\$ 2,441	\$ (421)	\$ 450	\$ 570	\$ 349	\$ 192,048
634 42ND ST.	\$ 109,000	\$ 1,007	\$ (377)	\$ 450	\$ 720	\$ 421	\$ 111,222
2604 PENNINGTON	\$ 206,910	\$ 2,511	\$ (412)	\$ 450	\$ 295	\$ 354	\$ 210,108
359 WINEWOOD	\$ 222,900	\$ 2,251	\$ (361)	\$ 400	\$ 570	\$ 334	\$ 226,094
2330 LADLEHILL	\$ 204,000	\$ 1,533	\$ (315)	\$ 450		\$ 712	\$ 206,380
2576 BIOLA	\$ 225,000	\$ 250	\$ (250)	\$ 450	\$ 570	\$ 196	\$ 226,216
TOTALS	\$ 1,631,469	\$ 12,939	\$ (2,819)	\$ 4,100	\$ 4,195	\$ 3,727	\$ 1,653,611

SALE TRANSACTION							
ADDRESS	SALES PRICE/ GROSS PROGRAM INCOME	17% DEF LOAN TO BUYER	CLOSING COST GRANT TO BUYER	REHAB LOAN TO BUYER	CLOSING COSTS TO SELL PAID BY SDHC	AGENT COMMISSION TO SELL PAID BY SDHC	NET PROGRAM INCOME
4868 68TH ST.	\$ 303,930	\$51,668	\$5,274	\$28,380	\$5,272	\$12,157	\$201,178.90
*321 LOS SONETO DR.	\$ 147,250	\$142,832	\$3,191	\$83,948	\$3,720	\$7,363	-\$93,803.50
3634 POLK AVE.	\$ 190,920	\$0	\$5,727	\$26,466	\$1,292	\$9,546	\$147,889.00
634 42ND ST.	\$ 116,500	\$19,805	\$3,495	\$67,773	\$1,623	\$4,660	\$19,144.00
2604 PENNINGTON	\$ 209,000	\$35,530	\$3,514	\$43,921	\$2,538	\$8,360	\$115,137.00
359 WINEWOOD	\$ 237,000	\$40,290	\$4,342	\$53,192	\$2,120	\$9,480	\$127,576.00
2330 LADLEHILL	\$ 210,000	\$35,700	\$6,300	\$10,000	\$2,729	\$8,400	\$146,871.28
2576 BIOLA	\$ 235,000	\$39,950	\$5,521	\$39,775	\$2,099	\$9,400	\$138,255.19
TOTALS	\$ 1,649,600	\$ 222,943	\$ 37,364	\$ 353,455	\$ 21,393	\$ 69,366	\$ 802,248

*Los Soneto - Due to the property condition a first trust deed loan with a one year term was made to borrower. The loan had a 5.25 percent interest rate. The principal balance plus interest was paid in full in May 2011.

ATTACHMENT 2

EXPENSE BUDGET REVISION BY EXPENDITURE TYPE

	Current FY12 Budget	Proposed FY12 Revision	Revised FY12 Budget
Salaries & Benefits	\$ 21,862,578	\$ -	\$ 21,862,578
Services & Supplies			
Legal	1,050,806		1,050,806
Training	259,063		259,063
Travel	223,805		223,805
Audit	156,000		156,000
Contract/Consultant	5,242,715		5,242,715
Office & Building Rent	2,495,721		2,495,721
Sundry	2,298,492		2,298,492
Management Fees	1,732,633		1,732,633
Insurance	605,595		605,595
Office Equipment	912,539		912,539
Total Services & Supplies	14,977,369	-	14,977,369
Housing Programs			
Workforce & Economic Development	1,031,139		1,031,139
Maintenance Expenses	3,380,810		3,380,810
Utilities	2,737,970		2,737,970
PILOT & Property Taxes	88,799		88,799
Collection Loss	310,325		310,325
Mortgage Payments	16,197,226		16,197,226
Protective Services	553,526		553,526
Rent to Owners	165,642,316		165,642,316
Loans & Grants	26,956,837	(168,561)	26,788,276
Relocation	215,011		215,011
Site Acquisition & Housing Development	2,489,393	966,254	3,455,647
Extraordinary Maintenance	221,475		221,475
Dwelling Equipment	184,440		184,440
Total Housing Programs	220,009,267	797,693	220,806,960
Program, Contingency & Unobligated Reserves	42,932,731	(555,188)	42,377,543
Sub-Total Operating Expense Budget	299,781,945	242,505	300,024,450
Capital Budget	31,892,130	-	31,892,130
Total Budget	\$ 331,674,075	\$ 242,505	\$ 331,916,580