

**HOUSING AUTHORITY REPORT****DATE ISSUED:** January 7, 2010**REPORT NO:** HAR 10-008**ATTENTION:** Members of the Housing Authority  
For the Agenda of February 16, 2010**SUBJECT:** Offer to Purchase 3634 Polk Avenue (Council District 3)**REQUESTED ACTION:**

Recommend Housing Authority acceptance of the \$190,920 offer to purchase the property located at 3634 Polk Avenue.

**STAFF RECOMMENDATION:**

1. Accept the \$190,920 offer to purchase the property at 3634 Polk Avenue as submitted by D. Huyhn under the City's Neighborhood Stabilization Program (NSP); and
2. Authorize the President and Chief Executive Officer, or designee, to execute any and all documents and receive the sale proceeds.

**SUMMARY:**

In August 2009, the Housing Authority approved a revision to the NSP guidelines to allow the Housing Commission to purchase single family dwellings or condominium units that have been abandoned or foreclosed in order to resell the homes to eligible low and moderate income first time homebuyers. On December 11, 2009, the Housing Commission acquired the home at 3634 Polk Avenue. The Commission's purchase price was \$188,659 with closing costs of \$2,261. Based on an "as is" appraisal of the property completed on November 30, 2009, the estimated market value is \$230,000.

The subject property, located at 3634 Polk Avenue, is located in the City Heights area of San Diego (see Location Map). This single family dwelling was built in 1927 and has two bedrooms and two baths. The home has 958 square feet and considered to be in average condition. There is no garage; the only parking available is on the street.

On December 11, 2009 letters and fliers describing 3634 Polk Avenue were sent to all prequalified NSP buyers. The home was offered for sale in its "as-is" condition at \$190,920; which was the Housing Commission's acquisition price, plus closing costs. Only one letter of interest was received from an eligible buyer. The proposed buyer, D. Huyhn, has submitted an Offer to Purchase 3634 Polk Avenue for \$190,920. The Housing Commission made a counter offer accepting the offer subject to Board and Housing Authority approval.

The buyer is required to have a minimum down payment from their personal funds of three percent. The Housing Commission will fund a second position loan for 17 percent of the purchase price pursuant to the Commission's approved NSP First Time Homebuyer guidelines. In addition, the buyers are eligible for a recoverable grant up to three percent of the purchase price to pay their closing costs. The Housing Commission has completed a detailed write-up summarizing the rehabilitation work to be completed at 3634 Polk Avenue. The estimated cost to complete the improvements is \$17,212. The rehab loan will fund concurrently with the acquisition loan. The buyer will remain at the current residence until the work has

been completed. Since the buyers will be responsible to pay the mortgage payments and other costs associated with the ownership of a home, the rental expenses charged to the buyers will be included in the rehab loan. The rental expenses are estimated to be \$1,200 and are included in the total rehab costs of \$17,212. The total NSP funds to be expended on 3634 Polk Avenue are estimated to be \$242,969.

Housing Commission purchase	\$188,659
Closing costs to acquire	2,261
2 <sup>nd</sup> TD loan to buyer	32,456
Closing cost recoverable grant to buyer	5,728
Rehabilitation loan	<u>17,212</u>
<b>Total NSP Funds Expended</b>	<b>\$246,316</b>

The Housing Commission should recover an estimated \$177,556 from the sale of the property that will become NSP income funds. NSP regulations allow the recipient five years to reuse the program income on eligible activities.

Sales Price	\$190,920
Less:	
Costs to close escrow(2%)	3,818
Real estate commissions (5%)	<u>9,546</u>
<b>Estimated NSP Program Income</b>	<b>\$177,556</b>

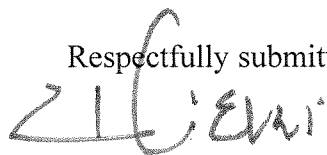
**FISCAL CONSIDERATIONS:**

Sale of the property at 3634 Polk Avenue for \$190,920 would result in the expenditure of \$246,316 in NSP funds and the recovery of \$177,556 as NSP income funds.

**ENVIRONMENTAL REVIEW:**

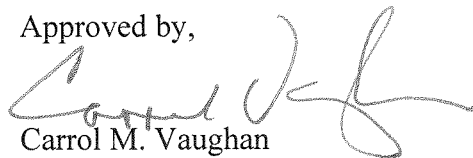
This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15060©(3) of the state CEQA guidelines (the activity is not a project as defined in Section 15378). The project is categorically excluded from review under the National Environmental Protection Act pursuant to Section 58.35(b)(5).

Respectfully submitted,



D. Lawrence Clemens  
Senior Vice President

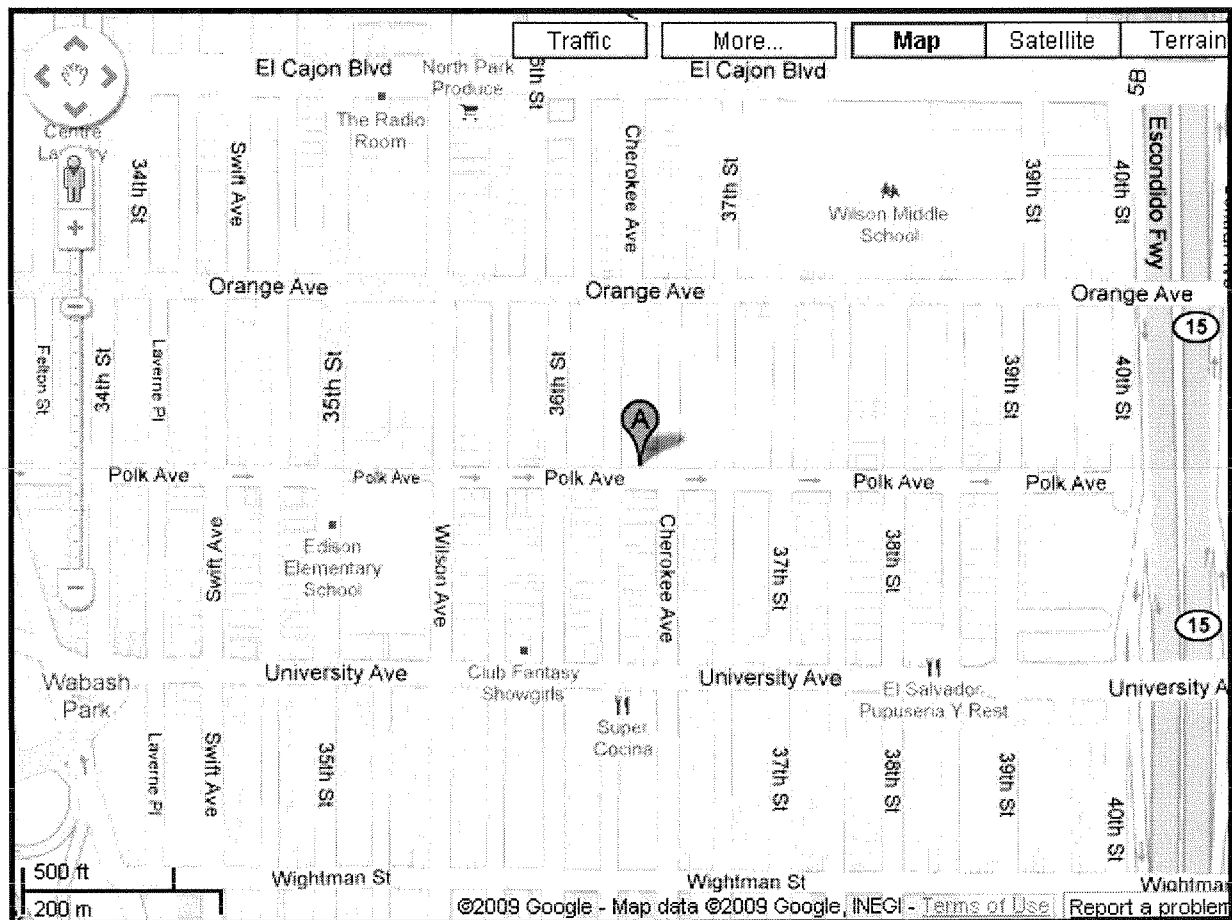
Approved by,




Carrol M. Vaughan  
Executive Vice President & Chief Operating Officer

Attachment 1

## Location Map:



## Address:

 **3634 Polk Ave**  
San Diego, CA 92104

3634 POLK AVENUE, SAN DIEGO, CA 92104

SDHC Purchase Transaction	
Purchase Price	\$ 188,659
*As-is Value	\$ 230,000
Discount	17.97%
Closing Costs	\$ 3,090
<b>**Total Cost</b>	<b>\$ 191,749</b>

Sale Transaction	
**Sales Price	\$ 190,920
*As-is Value	\$ 230,000
Discount	16.99%
1st TD	\$ 152,736
SDHC 2nd TD	\$ 32,456
Buyer 3% DP	\$ 5,728
Closing Cost Grant	\$ 5,728
Loan to value	97.00%
Sales Price	\$ 190,920
SDHC Closing Costs	\$ 3,818
RE Commission	\$ 9,546
<b>Net Proceeds</b>	<b>\$ 177,556</b>

Buyer's Combined Loan To Value (CLTV)	
1st TD	\$ 152,736
SDHC 2nd TD	\$ 32,456
Rehabilitation loan	\$ 17,212
*As-is value	\$ 230,000
<b>CLTV</b>	<b>88.00%</b>

\*SDHC purchased this property at a very large discount therefore the after rehabilitation value was not needed. The new buyers combined loan to value using the as-is value including the 1st TD, 2nd TD and rehabilitation is 88%.

\*\* The sales price was calculated based on the estimated closing statement. At the close of escrow the total cost to acquire the property was \$829 greater than anticipated.

## ATTACHMENT 3

### **NEIGHBORHOOD STABILIZATION PROGRAM** **FIRST TIME HOMEBUYER GUIDELINES** **120% OR LESS OF AREA MEDIAN INCOME**

#### **Program Overview:**

The Neighborhood Stabilization Program (NSP) First Time Homebuyer Program is designed to make funds available to low and moderate-income households to help with the purchase and rehabilitation of foreclosed/bank owned properties located in Council District 3, 4, 7 and 8. The properties can also include those directly purchased by the Housing Commission for resale to eligible buyers. This program provides financing to acquire the property, pay closing costs and rehabilitate the property, if needed.

#### **Down Payment:**

All borrowers must have sufficient funds available for a minimum down payment of 3%. The borrower's money must be from their personal funds or a gift from an immediate family member. Any subsidies the buyer receives are in addition to the borrower's required down payment of 3%.

#### **Closing Cost Assistance Grant:**

The maximum grant amount is 3% of the purchase price and can only be used to pay actual closing costs charged to the buyer which are not being paid by seller contributions or other subsidies. The grant is forgivable after 6 years. If the property is sold, refinanced or no longer owner occupied within the first 6 years; the grant becomes recoverable and must be repaid.

#### **Deferred Second Trust Deed Loan for Acquisition:**

The maximum loan amount is 17 percent of the purchase price. NSP loans have a 0% interest rate for a term of 30 years. No monthly payments of principal or interest are required.

1. The principal balance will be due in full upon the earlier of:
  - 30 years from the date of the Promissory Note; or
  - Upon sale, transfer, lease, or encumbrances of all or any interest in the property without the Housing Commission's prior written consent; or
  - Upon borrower's failure to occupy the property as borrower's principal place of residence.
2. The Deed of Trust contains an acceleration clause, which will call the entire loan due and payable, plus default interest upon certain events, including the following:
  - If the borrower no longer occupies the property
  - Discovery of willful misrepresentation or fraud in connection with any aspect of the Neighborhood Stabilization Program
  - Renting of the property
  - Uncured default by borrower on the first trust deed note, or deed of trust, or any other senior or junior loan or encumbrance on the property

**Housing Rehabilitation Loans:**

If rehabilitation is required for the property to meet Housing Quality Standards, code compliance or to comply with lead-based paint requirements, buyer must apply for the funds at the time of acquisition. The property will be inspected by a Housing Commission Construction Specialist to identify the needed repairs and a detailed work write-up completed. Rehabilitation can include energy efficiency or energy conservations items. After rehabilitation, the property must meet the Housing Commission's curb appeal standards. The work needed to meet those standards can be included and completed with the use of the rehabilitation loan funds. Also, if the property is not habitable or relocation is required, the cost of the relocation will be funded through the rehabilitation loan.

The Rehabilitation NSP loans up to \$10,000 are forgiven after 5years, loans up to \$30,000 are forgiven after 10 years and loans in excess of \$30,000 are forgiven after 15 years. The forgiveness is contingent upon the improvements being maintained. If the property is sold, refinanced, not owner occupied or the improvements have not been maintained prior to the end of the term; the loan funds must be repaid.

Properties requiring lead based-paint remediation can receive a grant to cover the costs to complete the lead work if a child under six yeas of age is in residence.

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