

HOUSING AUTHORITY REPORT**DATE ISSUED:** January 7, 2010**REPORT NO:** HAR 10-009**ATTENTION:** Members of the Housing Authority
For the Agenda of February 16, 2010**SUBJECT:** Offer to Purchase 321 Los Soneto Drive (Council District 4)**REQUESTED ACTION:**

Recommend Housing Authority acceptance of the \$147,250 offer to purchase the property located at 321 Los Soneto Drive.

STAFF RECOMMENDATION:

1. Accept the \$147,250 offer to purchase the property at 321 Los Soneto Drive as submitted by R. Martinez and A. Chavez 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 4, 2009, the Housing Commission acquired its first properties under the NSP; the home on Los Soneto Drive is one of the properties recently purchased. The Commission's purchase price was \$145,000 with closing costs of \$2,250. Based on an "as is" appraisal of the property completed on November 16, 2009, the estimated market value is \$158,000.

The subject property, located at 321 Los Soneto Drive, is located in the Skyline area of San Diego (see Location Map). This single family dwelling was built in 1960 and has three bedrooms and two baths. The home has 1,577 square feet. The garage has been converted to a permitted family room with a fireplace. The home is in poor condition and not habitable.

On November 30, 2009 letters and fliers describing 321 Los Soneto Drive were sent to all prequalified NSP buyers. The home was offered for sale in its "as-is" condition at \$147,250; which was the Housing Commission's acquisition price, plus closing costs. Under the NSP guidelines, if more than one buyer is interested in purchasing a home, a random drawing is held to select the buyer. Three letters of interest were received and through a drawing R. Martinez and A. Chavez were selected. The proposed buyers have submitted an Offer to Purchase 321 Los Soneto Drive for \$147,250. The Housing Commission made a counter offer accepting the offer subject to Board and Housing Authority approval.

The buyers are 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 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 321 Los Soneto Drive. The

estimated cost to complete the improvements is \$92,311. The rehab loan will fund concurrently with the acquisition loan. Because the property is not habitable, the buyers will remain at their 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 buyer will be included in the rehab loan. The rental expenses are estimated to be \$1,200 and are included in the total rehab loan of \$92,311. The total NSP funds to be expended on 321 Los Soneto Drive are estimated to be \$269,010.

Housing Commission purchase	\$145,000
Closing costs to acquire	2,250
2 nd TD loan to buyers	25,032
Closing cost recoverable grant to buyers	4,417
Rehabilitation loan	<u>92,311</u>
Total NSP Funds Expended	\$269,010

The Housing Commission should recover an estimated \$136,943 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	\$147,250
Less:	
Costs to close escrow(2%)	2,945
Real estate commissions (5%)	<u>7,362</u>
Estimated NSP Program Income	\$136,943

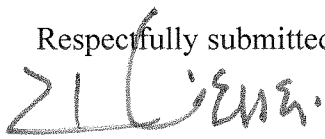
FISCAL CONSIDERATIONS:

Sale of the property at 321 Los Soneto Drive for \$147,250 would result in the expenditure of \$269,010 in NSP funds and the recovery of \$136,943 as NSP income funds.

ENVIRONMENTAL REVIEW:

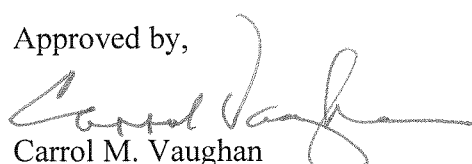
This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15060©(3) of the state CEQA guidelines (the activity is not a project as defined in Section 15378). The project is categorically excluded from review under the National Environmental Protection Act pursuant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

Respectfully submitted,



D. Lawrence Clemens
Senior Vice President

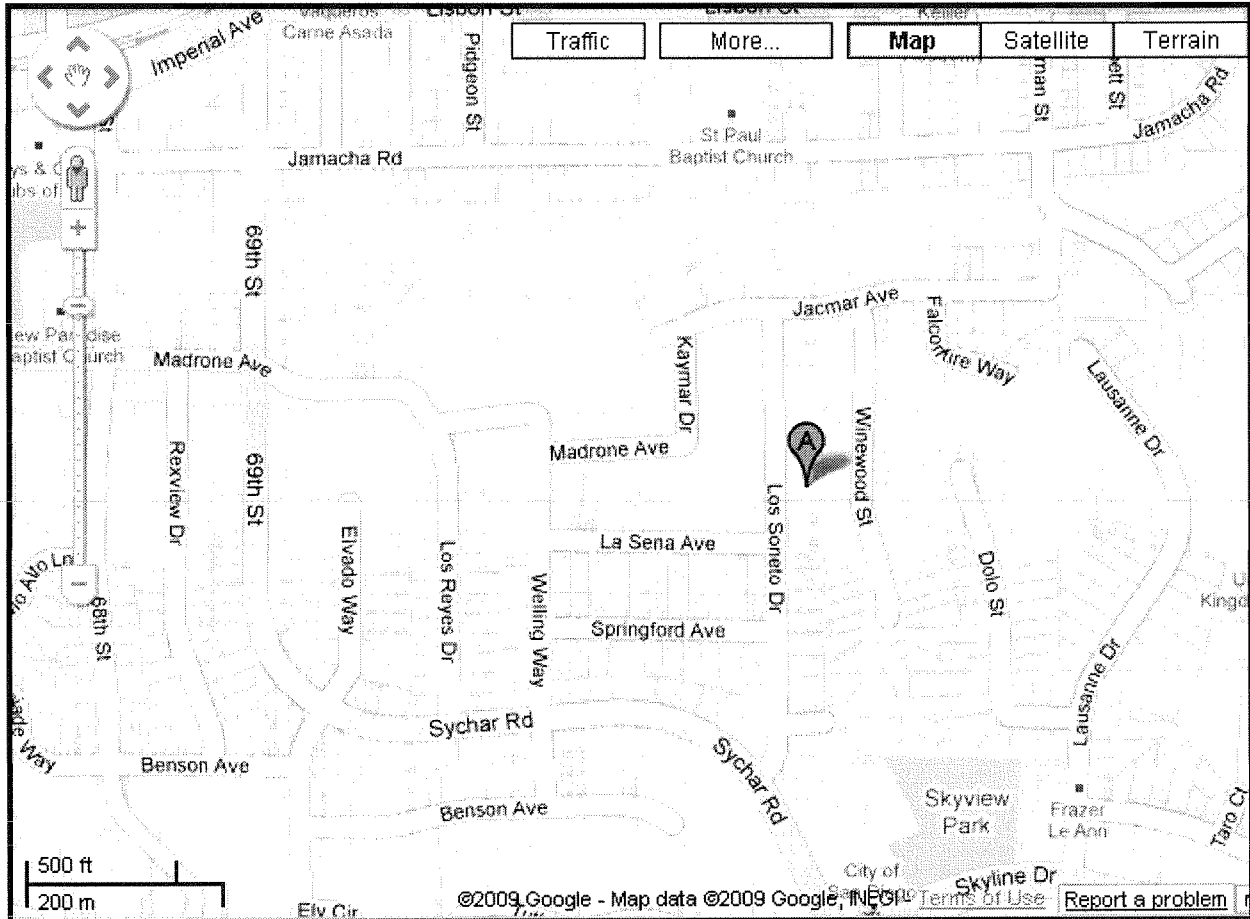
Approved by,



Carrol M. Vaughan
Executive Vice President & Chief Operating Officer

Attachment 1

Location Map:



Address:



321 Los Soneto Dr
San Diego, CA 92114

321 LOS SONETO DRIVE, SAN DIEGO, CA 92113

SDHC Purchase Transaction	
Purchase Price	\$ 145,000
As-is Value	\$ 158,000
Discount	8%
Closing Costs	\$ 2,250
Total Cost	\$ 147,250

Sale Transaction	
Sales Price	\$ 147,250
As-is Value	\$ 158,000
Discount	7%
1st TD	\$ 142,833
Buyer 3% DP	\$ 4,418
Closing Cost Grant	\$ 4,418
Loan to value	97%
Sales Price	\$ 147,250
SDHC Closing Costs	\$ 2,945
RE Commission	\$ 7,362
Net Proceeds	\$ 136,943

Buyer's Combined Loan To Value (CLTV)	
1st TD	\$ 142,833
Rehabilitation loan	\$ 92,311
After rehab value	\$ 245,000
CLTV	96%

* Report indicates buyer will receive a deferred loan at 17% of the sales price. The program guidelines state the buyers total housing payment cannot be less than 30% of their monthly gross income. Due to the buyers low total housing debt they are not eligible to receive the deferred loan.

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 5 years, 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 years of age is in residence.
