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MAR 1 2013
City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia
Julia H. Cooper

SUBJECT: SEE BELOW

DATE: March 1, 2013

Approved

Date

3/1/13

INFORMATION

SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE DELEGATION OF AUTHORITY ORDINANCE FOR THE PERIOD OF OCTOBER 1, 2012 THROUGH DECEMBER 31, 2012

EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the second quarter of FY 2012-13 (October 1, 2012 through December 31, 2012). During this reporting period, the Director of Housing approved actions modifying the terms of six (6) single-family homes, three (3) miscellaneous actions pertaining to multifamily projects, and the write off of funds for two (2) first time homebuyer loans due to foreclosure. These transactions are listed in Attachment A.

In addition, the Director of Housing approved 30 new rehabilitation loans and grants totaling \$573,900, six new homebuyer loans totaling \$507,218, and one Housing Trust Fund grant totaling \$10,000. The Director of Finance held two TEFRA hearings during this reporting period.

BACKGROUND

On September 4, 1990, the City Council adopted Ordinance No. 23589, which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority" or "DOA"). On May 23, 2000, the DOA was amended by Ordinance No. 26127 to clarify certain sections and to add several other provisions. On June 25, 2002, the DOA was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Director of Housing, the Director of Finance, and the City Manager. Subsequently, the City Manager delegated to the Director of Housing the contract authority granted to the City Manager. Effective July 26, 2007, the DOA was further amended by Ordinance No. 28067 to modify certain provisions in order to streamline the Housing Department's process of making and adjusting loans and grants.

The DOA is codified in Chapter 5.06 of the Municipal Code. This memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of October 1, 2012 through December 31, 2012.

ANALYSIS

The DOA authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or to grant Housing and Homeless funds, Predevelopment funds, and Housing Rehabilitation Program funds; to negotiate and to execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the City Council; to make adjustments, within defined parameters, to loans and grants previously approved by the City Council; and to make other technical changes.

Further, the DOA delegates jointly to the Director of Housing and Director of Finance certain authority related to the City's issuance of tax-exempt, private activity bonds to finance the development of affordable housing projects. The DOA also delegates to the Director of Finance the authority to hold TEFRA hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects.

Attached are charts that detail the actions taken under the DOA during the period of October 1, 2012 through December 31, 2012.

HONORABLE MAYOR AND CITY COUNCIL

March 1, 2013

Subject: Report on Activities Undertaken by the Director of Housing and the Director of Finance

Page 3

COORDINATION

Preparation of this report has been coordinated with the Office of the City Attorney.

/s/

JULIA H. COOPER
Director of Finance

/s/

LESLYE CORSIGLIA
Director of Housing

For more information, contact Leslye Corsiglia, Director of Housing, at (408) 535-3851.

Attachments A & B

ATTACHMENT A

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
2nd Quarter 2012 – 2013 (October – December 2012)**

#	Date	Action	Muni Code Citation
1	12/17/12	<p>Approved the transfer of El Rancho Verde Apartment Projects along with Subordination of Affordability Restrictions including the following actions:</p> <ul style="list-style-type: none"> ▪ Subordinated the City's Affordability Restrictions to a new senior loan in connection with the El Rancho Verde Apartments acquisition; ▪ Made technical corrections to the City's affordability restriction. <p>The property was sold by the Related Companies of California (Related) to Clark Realty Capital, LLC (Clark). As a part of the transaction, Clark obtained new debt and equity financing from Wells Fargo and has repaid the City's \$5,500,000 loan. The affordability restrictions will remain on the property until September 21, 2056.</p>	5.06.340 (A)(9)
2	12/12/12	<p>Approved a \$30,000 write off in BEGIN funds for the single family home located on Auzerais Avenue due to foreclosure. The City received information that the property was foreclosed in October 2012. The amount paid by the Grantee at the Trustee's Sale was \$265,152; however, the amount of the unpaid debt to the senior lender was \$266,477. Therefore, there were no surplus funds remaining after the Trustee's Sale.</p>	5.06.380
3	12/4/12	<p>Approved a \$40,000 reduction in HOME investment funds for the single family home located on Lakebird Drive due to foreclosure. The City received a Notice of Surplus Funds from Law Offices. Staff completed an Affidavit of Claim for Surplus. On September 4, 2012, the City received a copy of the Intent to Proceed with Surplus Funds Disbursement that indicated CalHFA as the claimant exhausting the surplus funds. Therefore, the amount of reduction of investment from loans funded by HOME was \$40,000.</p>	5.06.380
4	11/19/12	<p>Approved the following for the single family home located on Auzerais Avenue:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$39,472 as full payment of the City Loan; ▪ Reduced deferred income by \$24,228; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrowers met with the ForeclosureHelp Center and, after review of financial information, determined that the borrowers have a financial hardship. Borrower's reduced income with the City of San Jose has impacted their financial situation.</p>	5.06.380
5	11/13/12	<p>Approved the following for the single family home located on Makati Circle:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$1,000 as full payment of the City Loan; ▪ Wrote off \$24,000 in THP 20% funds as a loss due to short sale; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. The requirement to attend foreclosure counseling was waived due to the fact that the Borrower is currently suffering from Stage 4 stomach cancer and is handling his financial affairs to minimize the effects on his family since his health and financial future is uncertain.</p>	5.06.380

#	Date	Action	Muni Code Citation
6	11/12/12	<p>Approved the following for the single family home located on Alum Rock Avenue:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$3,500 as full payment of the City Loan; ▪ Wrote off \$26,500 in BEGIN funds and \$5,000 in 20% funds for a total of \$31,500 as a loss due to short sale; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. The borrower has experienced a reduction in income which has caused a financial hardship.</p>	5.06.380
7	11/2/12	<p>Approved the refinancing of the Villa Garcia Apartments by the Housing Authority of Santa Clara County (HACSC) which allowed the following:</p> <ul style="list-style-type: none"> ▪ Subordinated the City's Affordability Restrictions to a new senior loan in connection with the resyndication and refinancing of the Villa Garcia Apartments to allow the units to be substantially rehabilitated; and ▪ Allowed the rent restriction on the project's manager's unit to be increased to 110% of the Area Median Income to allow a larger selection of potential property managers to be employed at the property. <p>The resyndication and refinancing allows HACSC to significantly rehabilitate the 15 year old Villa Garcia property while at the same time restructure existing debt on the property.</p>	5.06.340
8	10/26/12	<p>Approved the refinance of the Lenzen Square Apartments Senior Loan by Core Development including the following actions:</p> <ul style="list-style-type: none"> ▪ Consented to the refinance of the FHA insured tax exempt senior loan with a Fannie Mae guaranteed Prudential Multifamily Mortgage, Inc. loan in the amount of up to \$8,150,000 and approve the subordination of the existing City loan of \$4,985,337 to the new financing; ▪ Permitted the Borrower to take a distribution from the net residual proceeds of the refinancing if any in the amount of 100% of those net proceeds; and ▪ Permitted the transfer of the special and investor limited partner interest to an entity which is an affiliate of Core Development, Inc., the co-general partner of the project. <p>The purpose of the refinancing is to significantly reduce the debt service on the project which will ensure that other necessary project expenses are met and increase the size of residual receipt distributions available for principal and interest payment on the City loan, as well as to the limited and general partners.</p>	5.06.340
9	10/11/12	<p>Approved the following for the single family home located on Bluewood Circle:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$6,000 as full payment of the City Loan; ▪ Wrote off \$19,000 in 20% funds as a loss due to short sale; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrower met with the ForeclosureHelp Center and, after review of financial information, determined that the borrower has a financial hardship. Borrower lost his employment with the school district and as a result exhausted all of his cash reserves and increased his credit card debt.</p>	5.06.380

#	Date	Action	Muni Code Citation
10	10/11/12	<p>Approved the following for the single family home located on Technology Drive:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$1,000 as full payment of the City Loan; ▪ Reduced deferred income by \$24,000; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrower met with the ForeclosureHelp Center and, after review of financial information, determined that the borrower has a financial hardship. Borrower's employer reduced her work hours which resulted in a reduced income. In addition, she is now taking care of her elderly mother after her father's death.</p>	5.06.380
11	10/10/12	<p>Approved the following for the single family home located on South 22nd Street:</p> <ul style="list-style-type: none"> ▪ Allowed the short sale and acceptance of the \$34,481.48 as full payment of the City Loan; ▪ Reduced deferred income by \$221,518.52; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. <p>The City received information that the property would be listed for a short sale. Borrower met with the ForeclosureHelp Center and, after review of financial information, determined that the borrower has a financial hardship. Borrower is almost 70 years old and retired in 2010 due to illness with diabetes. She has exhausted all her resources and can no longer maintain her mortgage payments.</p>	5.06.380

ATTACHMENT B

**ACTIONS TAKEN BY THE DIRECTOR OF HOUSING
2nd Quarter 2012 – 2013 (October – December 2012)**

Single Family Rehabilitation and Improvement Loans and Grants approved by the Director of Housing during the Second Quarter of FY 2012-13.

REHABILITATION LOANS AND GRANTS	NUMBER	AMOUNT
Rehabilitation Loans	11	\$358,400
Single Family Rehabilitation Grants	14	\$147,500
Mobilehome Rehabilitation Grants	5	\$68,000
TOTAL	30	\$573,900

Homebuyer Loans approved by the Director of Housing during the First Quarter of FY 2012-13.

HOMEBUYER LOANS	NUMBER	AMOUNT
BEGIN – Loan Program	3	\$303,818
Neighborhood Stabilization Program 2 (HOME Funds)	3	\$203,400
TOTAL	6	\$507,218

Housing Trust Fund Grants

AGENCY NAME	PROJECT NAME	FUNDED AMOUNT
Catholic Charities	Social Impact Bonds Feasibility Study	\$10,000

TEFRA Hearings held by the Director of Finance

PROJECT NAME	UNITS	LOCATION	BOND AMOUNT	MAYOR'S CERTIFICATE NO.
Hitachi/Lennar Residential Development	191 Units	South of Charlotte Drive on Lot 12 of the Hitachi Global Storages Campus	Aggregate principal amount not to exceed \$40,000,000	Certificate No. 2012-3; Executed December 19, 2012
3rd Street Residential Development	37 Units	1010 South 3 rd Street, San José, CA	\$ 7,000,000	Certificate No. 2012-2; Executed December 3, 2012