



SAN DIEGO  
HOUSING  
COMMISSION

## REPORT

**DATE ISSUED:** September 1, 2015

**REPORT NO:** HCR15-074

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of October 9, 2015

**SUBJECT:** Home Ownership Opportunity Program Loan Write-Off

**COUNCIL DISTRICT:** 3, 4 and 7

### **REQUESTED ACTION**

That the San Diego Housing Commission accept the reduced loan payoff of \$241,293 and authorize the write-off of loan funds in the amount of \$223,707 due from Community HousingWorks (as successor in interest to San Diego Neighborhood Housing Services).

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Accept the reduced loan payoff of \$241,293 and authorize the write-off of the balance of \$223,707 due from Community HousingWorks (CHW) (as successor in interest to San Diego Neighborhood Housing Services) as outlined within this report; and
- 2) Authorize the President & Chief Executive Officer, or designee, to execute all documents and instruments necessary and/or appropriate to implement these approvals, in the form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals.

### **SUMMARY**

In September 1995, San Diego Neighborhood Housing Services (SDNHS) began operating the Home Ownership Opportunity Program (HOOP). This program helped families earning up to 100 percent of Area Median Income who wanted to purchase a home in City Heights. In 1997, SDNHS expanded HOOP to include San Diego City Council District 4. The maximum sales price for the program was \$115,000. HOOP loans were 10 percent of the purchase price, with an interest rate between 1 and 5 percent, amortized over 15 or 20 years; the interest rate was determined based on the buyer's ability to pay. HOOP loans could be as much as 100 percent of the loan-to-value. The individual loans to the homebuyers were secured by a Deed of Trust in second position and subject to Covenants, Conditions and Restrictions recorded against the property, restricting the resale for 10 years. The buyers also executed a Promissory Note.

From November 13, 1995, through April 21, 1997, the Housing Commission awarded four loans to SDNHS for HOOP:

<u>Housing Commission Board Approval</u>	<u>Housing Commission Loan Funds</u>	<u>Administration</u>	<u>Loan Due &amp; Payable</u>
November 13, 1995	\$100,000	-0-	June 30, 2016
July 8, 1996	100,000	-0-	September 30, 2017
October 28, 1996	135,000	-0-	December 31, 2019
April 21, 1997	<u>130,000</u>	<u>\$13,000</u>	December 31, 2019
	\$465,000	\$13,000	

The loans to SDNHS were not secured by Deeds of Trust but are documented by a Promissory Note and Loan Agreement for each allocation of funds. The loan term is 20 years at an interest rate of 0 percent. Pursuant to the documents, SDNHS was to pay back the loan funds to the Housing Commission as the loans to the individual buyers were repaid or the maturity of the Housing Commission’s loan. Initially, SDNHS repaid \$18,580 to the Housing Commission, resulting in an outstanding loan balance of \$446,420. SDNHS, which was later acquired by CHW, converted to a revolving loan program, with repayments reinvested into new loans. The original loans anticipated assisting 46 homebuyers; by recycling the funds, 82 homebuyers were assisted.

On June 10, 2015, CHW requested that the Housing Commission write off the full amount of the Housing Commission’s \$465,000 investment due to the loss of some of the underlying assets during the recession, and to allow CHW to continue to reinvest the remaining loans to assist additional homebuyers with down payment assistance. CHW is undergoing organizational changes related to their homeownership division and plan to officially announce these changes in mid-October.

Since HOOP program inception, the Housing Commission’s financial assistance has assisted 82 homebuyers. Presently, there are 15 HOOP loans with an outstanding balance due of \$121,871; and CHW has \$100,842 in cash that is available to repay the Housing Commission. Due to the housing crisis during the recession, 25 of the HOOP loans were uncollectible due to foreclosure or a short sale, resulting in a loss of \$223,707. CHW discontinued funding HOOP, and the last loan was funded in 2010.

Because there are funds available for repayment, Housing Commission staff recommends repayment of \$222,713 as follows:

Repayment of 15 outstanding HOOP loans (payable as loans are repaid or due)	\$121,871
CHW Available Cash (payable within 30 days of Housing Commission approval)	\$100,842
Total Repayment:	\$222,713

Repayment of all 15 outstanding HOOP loans is required as they are paid or become due, and CHW will be responsible for any additional losses from these investments, if they occur.

This action would result in the write-off of \$223,707 in Housing Commission loans from City of San Diego Housing Trust Funds, which are administered by the Housing Commission (calculated as

\$465,000 in loan funds less previous payments of \$18,580 and less future payments of \$222,713). Staff recommends writing off the balance of \$223,707 because repayment of these funds would create a hardship to CHW as any funds repaid would not be available for other affordable housing programs that CHW provides.

Housing Commission staff supports this action as it will result in the repayment of \$222,713 that will be available for investment in additional affordable housing activities. The \$465,000 HOOP investment exceeded expectations by assisting 82 households,

**AFFORDABLE HOUSING IMPACT**

Approval of this action will result in repayment of \$222,713 (in addition to the \$18,580 previously repaid, for a total of \$241,293) which will be made available for investment for additional affordable housing activities.

**FISCAL CONSIDERATIONS**

The proposed repayment of \$222,713 approved by this action was not anticipated or approved by the Housing Authority of the City of San Diego in the Fiscal Year 2016 Housing Commission Budget. Approving this action will not change the budget until a determination is made regarding how the funds will be used at a future date. The proposed future allocation of funds will follow Housing Commission Policies and Delegation of Authority as well as guidelines within the Housing Trust Fund.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

The first funding of HOOP was approved by the Housing Commission on November 13, 1995 (HCR95-218). Three subsequent funding awards were approved on July 8, 1996 (HCR96-120); October 28, 1996 (HCR96-178); and April 21, 1997 (HCR97-039), increasing the total funding commitment to \$465,000.

**ENVIRONMENTAL REVIEW**

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

*Vicki Monce*

Vicki Monce  
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Real Estate Division

Approved by,

*Deborah N. Ruane*

Deborah N. Ruane  
Senior Vice President  
Real Estate Division

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