PLACER COUNTY

COMMUNITY DEVELOPMENT GRANTS AND LOANS

MEMORANDUM

TO:	Honorable Members of the Board of Supervisors
FROM:	Thomas M. Miller, County Executive Officer James LoBue, Deputy Director Redevelopment
DATE:	January 26, 2010
SUBJECT	Adopt a Resolution Authorizing Loan Balance Reductions for Acquisition and Rehabilitation of Bank-owned Homes for Resale to Qualified Low-, Moderate-, and Middle-Income Homebuyers in the Community Development Block Grant Neighborhood Stabilization Program.

ACTION REQUESTED

Adopt a resolution authorizing loan balance reductions for acquisition and rehabilitation of bank-owned homes for resale to qualified low-, moderate-, and middle-income homebuyers in the Community Development Block Grant (CDBG) Neighborhood Stabilization Program (NSP).

BACKGROUND

In the past six months your Board has authorized several actions to obtain and implement federal NSP funds in Placer County to deal with vacant, bank-owned homes. The primary goals of the NSP program are to stabilize neighborhoods and the housing market by reducing the number of vacant bank-owned homes, improving the homes where needed, and enabling qualified, owner-occupant buyers and non-profits to buy the houses. The NSP Grant Agreement has been signed and Redevelopment Agency staff is ready to start implementation. Primary use of the funds will be for acquisition and rehabilitation and loans to homebuyers to acquire houses owned by banks. NSP regulations require that the house be resold for no more than the cost to acquire and rehabilitate, but it can be sold for less in order to meet program goals. Unincorporated areas eligible to be considered include North Auburn/Bowman, Foresthill, Kings Beach, Tahoe Vista, and Sheridan. Portions of the City of Lincoln and the City of Rocklin (Cities) are also eligible. State of California Department of Housing and Community Development required that Placer County file for its allocation of $872,923 together with Lincoln's $667,852 and Rocklin's $505,694 allocations. Seventy-Five Percent of the funds must be obligated by March 31, 2010 and all grant funds must be spent by Sept, 30, 2011.

To assist with program implementation, the County and Cities jointly issued a Request for Proposal for a consultant to administer some of the loans and to acquire and rehabilitate bank-owned homes with loans of NSP funds. Mercy Housing was selected and contract negotiations are underway. Each jurisdiction will have its own separate contract with Mercy Housing. It is anticipated that the County's initial contract with Mercy will be within the approval limits of the Procurement Manager.

Acquisition and Rehabilitation

Mercy Housing has agreements with the National Community Stabilization Trust that provide a first option to purchase bank-owned homes directly from banks. Mercy Housing will do the acquisition and rehabilitation with recorded loans from the CDBG NSP funds. If appraisals and unstable market

conditions show houses will not likely sell for the cost of acquisition and rehabilitation or if houses do not sell in a reasonable period of time, sale prices will need to be reduced.

The County's current CDBG NSP guidelines provide for loans to acquire and rehabilitate a house for a qualified homebuyer, but when rehabilitation is complete, loans have to be paid in full or sold subject to the loans, even if the market price has dropped below the loan balance. Also, the role a non-profit can play in the acquisition and rehabilitation of bank-owned homes is not covered in the guidelines. The attached resolution adds provisions to the CDBG NSP guidelines to allow the resale price to be set at a documented, post-acquisition value that is less then the NSP loan balance. The County loan to the non-profit would be lowered, with the difference covered by the NSP funds. The after rehabilitation value would be verified by an appraisal. The house would be listed on the Multiple Listing Service prior to sale. As alternatives, the non-profit could rent to a qualified household or transfer ownership to another non-profit approved by the Loan Committee. For these loans, the loan committee will be two Redevelopment Agency managers, the same as for any other homebuyer loan

The loans will be first deed of trust loans to Mercy Housing to acquire and rehabilitate the bank-owned houses. Rehabilitation will be done by a licensed general contractor under Mercy's supervision and paid for with the NSP loan proceeds. When the rehabilitation is done and the homebuyer purchase is complete, the purchase proceeds will be paid to the County, not Mercy. The proceeds will be deposited into the County's NSP program income reuse fund. Mercy Housing will not receive any profit from the sale. Mercy's costs for inspection, property management, construction management, and other direct cost outside the construction contract will be covered by other NSP funds. If it is determined that a specific bank-owned property in the unincorporated area could be acquired and rehabilitated more efficiently by the County, County procedures requires your Board's prior approval.

ENVIRONMENTAL IMPACT

All National Environmental Policy Act (NEPA) regulations required to be completed to fund the grant are complete. The authorization of a loan for a specific site requires environmental review pursuant to the California Environmental Quality Act and, where applicable, NEPA, when the site is identified. Most loans for acquisition and rehabilitation will be exempt.

FISCAL IMPACT

There will be no impact to the County's General Fund. NSP funds come from the federal Housing and Economic Recovery Act of 2008.

RECOMMENDATION

Adopt a resolution authorizing loan balance reductions for the acquisition and rehabilitation of bank-owned homes for resale to NSP qualified low-, moderate-, and middle-income homebuyers.

Attachment: Resolution

cc: Karin Schwab, Deputy County Counsel

Before the Board of Supervisors
County of Placer, State of California

In the matter of:

Authorizing loan balance reductions for acquisition and rehabilitation of bank-owned homes for resale to qualified low-, moderate-, and middle-income homebuyers in the Community Development Block Grant Neighborhood Stabilization Program

Reso. No. _____

Ord. No. _____

First Reading _____

The following Resolution **was duly passed by the Board of Supervisors**

of the County of Placer at a regular meeting held _____,

by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest: **Chair, Board of Supervisors**

Clerk of said Board

WHEREAS, the State of California Department of Housing and Community Development (HCD) has awarded Community Development Block Grant (CDBG) Neighborhood Stabilization Program (NSP) fund allocations to the City of Lincoln - $667,852, the City of Rocklin - $505,694, and the unincorporated areas of Placer County - $872,923; and

WHEREAS, the County seeks to find a cost effective means to acquire bank-owned homes with CDBG NSP funds and rehabilitate them prior to resale to qualified buyers.

WHEREAS, the CDBG NSP program allows acquisition and rehabilitation of a bank-owned house.

WHEREAS, declining home values discourage rehabilitation of bank-owned homes, as rehabilitation costs can sometimes not be recovered at resale.

NOW, THEREFORE BE IT RESOLVED that the CDBG NSP guidelines be amended to allow, upon application of a non-profit borrower, the Loan Committee to authorize reduction in the balance of a CDBG NSP loan originally made to a non-profit for the purpose of acquisition and rehabilitation under the following circumstances:

1. The amount of the loan balance to be reduced is funded entirely with CDBG NSP funds.
2. The house must be listed for sale on the Multiple Listing Service.
3. The non-profit borrower has to document at least two other site specific marketing initiatives.
4. The sales price to the homebuyer must be documented by an after rehabilitation appraisal.
5. The house must be in an NSP eligible area.
6. The house must be sold to an NSP eligible buyer for owner occupancy.
7. All other provisions of the CDBG and CDBG NSP guidelines for acquisition and rehabilitation apply.
8. Approval for the loan will follow the same approval steps as for a homebuyer loan in the CDBG guidelines.
9. The loan committee for NSP loans will be two Redevelopment Agency Managers

BE IT FURTHER RESOLVED that the loan balance reduction provision expires September 30, 2011, unless extended by Board of Supervisors Resolution.

Before the Board of Supervisors
County of Placer, State of California

In the matter of:

Authorizing loan balance reductions for acquisition and rehabilitation of bank-owned homes for resale to qualified low-, moderate-, and middle-income homebuyers in the Community Development Block Grant Neighborhood Stabilization Program

Reso. No. 2010-17

Ord. No. _____

First Reading _____

The following Resolution **was duly passed by the Board of Supervisors**

of the County of Placer at a regular meeting held January 26, 2010,

by the following vote on roll call:

Ayes: ROCKHOLM, WEYGANDT, HOLMES, MONTGOMERY, UHLER

Noes: NONE

Absent:

THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE ATTEST

ANN HOLMAN
Clerk of the Board of Supervisors, County of Placer, State of California

Deputy Clerk

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

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