

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 *JLL*
DATE: February 9, 2010
SUBJECT: Authorize the Write-off of \$59,384, the Uncollectible Portion of a HOME First Time Homebuyer Loan In the Amount of \$85,000, Made in the Placer County Community Revitalization Fund.

ACTION REQUESTED

Authorize the write-off of \$59,384, the uncollectible portion of a HOME First Time Homebuyer loan in the amount of \$85,000, made in the Placer County Community Revitalization Fund.

BACKGROUND

The Redevelopment Agency (Agency) administers Community Grants and Loans Programs for the County of Placer. The programs include federal Community Development Block Grants and HOME Loan Programs. The subject loan is for a condominium located at 11691 Garnet Way #1, Auburn, CA, 95602. Loan funding was from a HOME First Time Homebuyer Program designed to expand the supply of affordable housing for low- and moderate-income families and individuals. A portion of these loans are shared-appreciation loans designed as second mortgages with deferred repayment. Typically, the Agency funds a portion of the home purchase. The homebuyer makes no payment until the home is sold, at which time the homebuyer repays the original loan amount to the County, along with a certain percentage of the home's appreciated value.

In the case of loan number 2000129, the County assisted in the purchase of a \$182,500 condominium in Auburn Greens. The borrowers bought the home with a first mortgage of \$77,500, cash of \$20,000, plus the County's \$85,000 shared-appreciation loan. If the home was sold, the County was to recoup its loan of \$85,000, plus 47% of the shared appreciation. However, this loan committed the County to share in depreciation as well.

The borrowers have decided to move. Although the property has been kept in good condition, an appraisal dated December 16, 2009, indicates its value has decreased from \$182,500 to \$55,000, a reduction of \$127,500. This value is consistent with comparables. Because the liens against the property are much higher than its value, the County's Option to Purchase has been waived, and the borrowers will repay the County loan. The County is required by the loan agreement to reduce the principal balance of the loan by approximately 47% of \$127,500, accept repayment of only \$25,616, and take a loss of \$59,384.

FISCAL IMPACT

As of December 1, 2009, the general ledger of the Community Revitalization Fund has Deferred Revenues in the amount of \$4,632,490. By accepting repayment of \$25,616, the Deferred Revenues account will be reduced by \$59,384. There is no impact to the General Fund.

ENVIRONMENTAL IMPACT

The proposed action is a write-off of a loan and this action has no potential to have a significant effect on the environment. As a result, the proposed action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061 (b) (3).

RECOMMENDATION

Authorize the write-off of \$59,384, the uncollectible portion of a HOME First Time Homebuyer loan in the amount of \$85,000, made in the Placer County Community Revitalization Fund.

cc: Karin Schwab, Deputy County Counsel