CONSENT AGENDA

AGENDA ITEM 12.15
AFFORDABLE HOUSING AD-HOC COMMITTEE MEETING
September 27, 2011
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PLACE: City Hall, Second Floor, Council Chambers, Tuesday, September 27, 2011 at 2:00 p.m.

ATTENDANCE:

Committee:

Katherine Miller, Chair
Elbert Holman, Vice Chair
Susan Talamantes Eggman, Member

Staff:

Michael E. Locke, Deputy City Manager
John Luebberke, City Attorney
Wendy S. Saunders, Economic Development Director
Robert Bressani, Housing Deputy Director
Lorre Islas, Program Manager III
Susan L. Will, (Recorder)

Others:

Terry Hull, Sr.
Terry Hull, Jr.
Vernell Hill, Jr.
Paul Jacobson
Jose Nuño
Fred Sheil

Committee:

ISSUE

1. Neighborhood Stabilization Program
2. Uncollectible Loan Policy

COMMITTEE RECOMMENDATION

This is an information item only.
AFFORDABLE HOUSING AD-HOC COMMITTEE MEETING
September 27, 2011
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Introductions

Wendy Saunders, the new Economic Development Director, introduced herself to the attendees.

COMMITTEE RECOMMENDATION

This an informational item only.

COMMITTEE REPORT TO THE CITY COUNCIL:

DISCUSSION

Neighborhood Stabilization Program

Ms. Saunders stated the two topics for discussion are the modifications to the NSP Program and addressing uncollectible Loans. The NSP1 program was launched 2 ½ years ago, and this year NSP3 will begin. With the experience of running the previous program, staff would like to offer some refinements to add speed and efficiency for processing these transactions. This program is about getting people back into foreclosed homes, creating jobs, and utilizing the program to its fullest extent. She further stated it is important to broach the uncollectible loan policy and then bring the policy to the full Council before the end of the year. Ms. Saunders turned the meeting over to Robert Bressani.

Robert Bressani gave a PowerPoint presentation giving an update on the accomplishments made with the NSP1 Program; including the funds expended, income received, the number of completed projects, and projects that have not been completed. He provided the details of the NSP3 Program; including the amount of the funds received steps for allocating funds, and the details of the proposed program revisions. With the increase of foreclosures and short sales, it is imperative that an Uncollectible Loan Policy be established to expedite the process for handling these situations.

Chair Katherine Miller – Inquired if the NSP1 single-family home income of 5 million has been cycled back into the program and if the original 7.2 million for single-family projects has been expended.

Robert Bressani reported there are still homes that are in the process of being sold and additional income for NSP1 will be received. However, the City is taking a loss on these transactions. He further explained that the City's program take a loss on these transactions. This issue was discussed with HUD and they stated that agencies across the
board are taking a loss.

Wendy Saunders added that the point of the project is not to make money but to get homeowners into homes that would be foreclosed and sitting vacant. We are creating stabilized homes and creating jobs for the people who are repairing the homes.

Chair Kathy Miller – Inquired to how the brokers are selected, is the same broker for the purchase used for the sale of the home, and are broker fees reduced.

Robert Bressani – The City tries to get the broker fees reduced but that is not always successful. When purchasing properties, the property may already be listed with a broker and that broker is used. Some of the nonprofit partners have a brokers license and handle the purchase and sale.

Member Susan Talamantes Eggman – Is it possible for the properties to be purchased when the foreclosures are sold at the Courthouse?

Robert Bressani – Timing is an issue and NSP rules require an appraisal before the purchase is made, which creates an issue for purchasing from Courthouse sales.

Wendy Saunders – Staff will research the issue and come back to the committee with a report regarding the purchase of Courthouse auctioned homes.

Robert Bressani – It is recommended that some changes be made to the program. One change is to minimize the use of the National Community Stabilization Trust for finding properties and primarily rely on our nonprofit partners to go out in the community and find property and be able to negotiate on a first-come first-serve basis. This process will have to be evaluated to determine if this change streamlines the process and if there is an increased purchase price. It is recommended the developer fee be reduced from $12,000 per home to $8,000.00. Also, the City would like the nonprofits to do more marketing of the program to get the word out to other businesses.

When applying for NSP3 funds, we were required to submit a specific target to HUD. Weston Ranch has been selected as the NSP3 target area. NSP1 still allows for homes to be purchased anywhere within the City limits.

**Uncollectible Loan Policy**

Robert Bressani - Housing loans payable to the City are sometimes found to be uncollectible due to foreclosure initiated by a senior lender, or when a “short-sale”
transaction results in a reduction of a loan balance. Decisions to either advance additional monies to protect the City’s interest, accept reduced amounts, or deem the loan as uncollectible need to be made in a timely manner. The subsequent recording of any uncollectible amount must also be made promptly in accordance with Generally Accepted Accounting Principles. To expedite the decision making process, it is recommended that a policy be established, authorizing staff to make such determinations and to write off loan receivable balances.

PUBLIC COMMENT

Chair Miller opened the meeting for the attendees to ask questions/comments regarding the information provided.

Terry Hull – Property Management Experts – The Ad-hoc committee needs to meet on a more regular basis. It was originally promised to the nonprofits to have these meetings every three months and the last meeting was held six months ago. Keeping open communication with the nonprofit organizations is critical to the success of the program. There are many ways that rehabilitation costs could be cut. There are requirements that are not necessary for each home, such as replacing the heating and air conditioning unit. Each home should be evaluated to determine if replacement is necessary. These repairs are very costly and often are unnecessary. A major cost factor is Stockton requires prevailing wages; however, the County does not.

John Lueberke – When the program began, an inquiry regarding prevailing wages was sent to the Attorney General for a ruling. In the finding, the City of Stockton was advised prevailing wages were to be utilized. Since that time, clarification has been provided and prevailing wages are no longer being paid.

Vernell Hill – Service First – In NSP1 the City purchased the property and now the City wants to cut the developer fees and add more responsibility in the developer with less pay. Someone needs to evaluate the process the City utilizes to process loan documents. When a bank can complete their loan docs for the majority of the loan within a couple of weeks but the City cannot get their loan processed within six weeks, something is wrong with the process.

Michael Locke – Due to the layoffs, there has been a tremendous amount of turnover and several positions within the Housing Division were replaced by employees from other departments that had bumping rights. These employees did not have the expertise to do the job. At this time, measures have been taken to have signature authority given to the Department head to assist in expediting the paperwork and additional staff with loan
servicing experience is being hired.

Fred Shiel –STAND – The developer fees need to be comparable to the San Joaquin County’s fee.

This meeting was for information only and no action was taken.

There being no further business, the meeting was adjourned at 2:38 p.m.

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Vice Mayor Kathy Miller (Chair)

Councilmember Elbert Holman (Vice Chair)

Councilmember Susan Eggman (Member)

Attachments: Attachment A – PowerPoint
Attachment B – Sign-In Sheet
Neighborhood Stabilization Program

Uncollectible Loan Policy

Council Ad-Hoc Housing Committee
September 27, 2011
Discussion

- NSP1 Progress
- NSP3 Next Steps
- Program Revisions
- Uncollectible Loan Policy
NSP1 Progress

- **Funding:**
  - Single-Family $7.2M
  - Multi-Family $3.5M
  - Program Income $5M
  - Actual Expenditures $12.5M
NSP1 Progress

- **Single-Family**
  - 51 homes purchased
    - 44 sold
    - 2 in escrow
    - 3 homes in rent-to-own pilot program

- **Multi-Family**
  - Bradford Apartments – 38 Units
  - San Joaquin Apartments – 16 Units
NSP1 Progress

Repairs at the *San Joaquin St. Apartments* are underway with completion targeted for December 2011.

Developer will apply for Low Income Housing Tax Credits in Spring 2012, enhancing the *Bradford Apartments* project with a new community center.
NSP3 Next Steps

- **Funding:**
  - Single-Family $2.8M
  - Multi-Family $1.1M

- **NOFA**
  - Participants
  - Timeline
    - NOFA Issued Nov. 2, 2011
    - Awards Nov. 30, 2011
Program Revisions

- **National Community Stabilization Trust**
  - “First Look”
  - Streamlined negotiation process
  - Eliminates broker’s fees
  - Labor intensive for staff
  - Fewer properties available – NSP3 targeting
# Program Revisions

## Average Costs Per Unit

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<tr>
<td>Purchase Price</td>
<td>$126,921</td>
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<tr>
<td>Repair Cost</td>
<td>29,193</td>
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<td>Transaction Cost *</td>
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<td><strong>Total</strong></td>
<td>183,642</td>
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<td>Sales Price</td>
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<td>Gain / (Loss)</td>
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* Property taxes, closing costs, developer fee, appraisal, broker fee, security, vandalism, maintenance, other holding costs
Program Revisions

Recommendations:
- Open market
  - Participants responsible for acquisition; first come, first served
  - Costs could go higher
- Reduce Developer Fee
- Marketing
  - Target to businesses, other institutions
  - Build pipeline of interested homebuyers
Uncollectible Loan Policy

**Policy needed to expedite handling of foreclosures and short sales**

- Rehabilitation and Down-Payment loans
  - 382 totaling $16M
  - 21 loans totaling $1.1M already extinguished

- Most loans are subordinate

- Most loans are severely underwater
Uncollectible Loan Policy

Recommendations

- Establish a committee of senior management
- Decisions to save/forgive loans based on:
  - Current market value
  - Break-even analysis
CITY OF STOCKTON
AFFORDABLE HOUSING AD-HOC COMMITTEE
MEETING NOTICE

September 27, 2011
2:30 p.m.

Committee Members

Katherine Miller, Chair
Elbert Holman, Vice Chair
Susan Talamantes Eggman, Member

Council Chamber – City Hall
425 North El Dorado Street, 2nd Floor, Stockton CA

1. ROLL CALL
2. PUBLIC COMMENT
3. ITEMS FOR DISCUSSION/ACTION:
   3.01 - Neighborhood Stabilization Program
   3.02 - Uncollectible Loan Policy

RECORDING SECRETARY
Susan L. Will

ECONOMIC DEVELOPMENT DEPARTMENT
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<th>NAME (PLEASE PRINT)</th>
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