TO: Mayor and City Council
FROM: Laurie Montes, Director
Housing Department

SUBJECT: RESOLUTION: AUTHORIZING A COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN IN THE AMOUNT OF $11,950; A H.E.L.P. LOAN IN THE AMOUNT OF $84,655; A CALHOME LOAN OF $65,000 AND A SENIOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) OF $5,000 TO JOSE B. GUZMAN – 927 SOUTH SIERRA NEVADA STREET

RECOMMENDATION

It is recommended that a resolution be adopted: 1) to approve an owner-occupied Community Development Block Grant (CDBG) loan in the amount of $11,950 2) to approve a H.E.L.P loan in the amount of $84,655; 3) to approve a CalHome loan in the amount of $65,000 4) a Senior CDBG Grant in the amount of $5,000 to Jose B. Guzman for the property located at 927 S. Sierra Nevada Street; and 5) to direct the City Manager to take whatever actions are necessary and appropriate to carry out the intent of the resolution.

Summary

The Guzman family consists of one adult living in a 1,090 square-foot, two-bedroom and one bathroom structure. This structure is not able to be rehabilitated in its present condition. A new 1,808 square-foot structure will be built, which will contain two bedrooms and two bathrooms. All three of the loans requested for approval will be deferred for a period of 30 years at zero percent interest.

DISCUSSION

Background

In April, 2004, the City Council adopted revisions to the housing programs which took effect July 1, 2004. These programs are designed to both improve the housing stock and to increase the number of qualified residents able to use the programs. These funds provide rehabilitation or reconstruction dollars which, in most cases, would not be available through private lenders. Conventional loan guidelines are stringent and sometimes low-income applicants do not meet the requirements. Although this results in higher risk for the City, it has been minimized to the extent possible. The program changes adopted by Council mainly consist of combining a small grant/forgivable loan with a deferred fixed-interest-rate repayable loan.
RESOLUTION: AUTHORIZING A CALHOME LOAN IN THE AMOUNT OF $65,000; A H.E.L.P. LOAN OF $84,655; A CDBG LOAN OF $11,950 AND A SENIOR CDBG GRANT OF $5,000 TO JOSE B. GUZMAN – 927 SOUTH SIERRA NEVADA STREET

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Present Situation

The Guzman family consists of one adult living in a 1,090 square-foot home constructed in 1917.

Upon initial inspection, the rehabilitation counselor noted the foundation is failing and below grade and some portions are missing. There are also numerous electrical violations and the walls and ceilings are cracked because of the inadequate foundation support. The structure also has extensive rot damage. Because it is not economically feasible to repair the structure, it will be demolished and replaced on the site.

The applicant has requested financial assistance in the amount of $166,605. The financial assistance is based on the following:

Demolition Costs $ 11,650.00
Construction Costs $ 128,188.00
Estimated Relocation Costs $ 7,000.00
Contingencies $ 6,992.00
Title & Recording Fees $ 600.00
Appraisal Fee $ 225.00
Refinance existing home loan $ 11,950.00
Total Financial Assistance $ 166,605.00

H.E.L.P Loan $ 84,655.00
CalHome Loan $ 65,000.00
CDBG Loan $ 11,950.00
CDBG Grant $ 5,000.00
Subtotal $ 166,605.00

Existing mortgage $ 0
H.E.L.P Loan $ 84,655.00
CalHome Loan $ 65,000.00
CDBG Loan $ 11,950.00

Total Housing Debt $ 161,605.00
RESOLUTION: AUTHORIZING A CALHOME LOAN IN THE AMOUNT OF $65,000; A H.E.L.P. LOAN OF $84,655; A CDBG LOAN OF $11,950 AND A SENIOR CDBG GRANT OF $5,000 TO JOSE B. GUZMAN – 927 SOUTH SIERRA NEVADA STREET  

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The reconstruction cost is $128,188 and the new home will contain 1,808 square feet of living space. This calculates to $70.90 per square foot, which is considered reasonable in today's housing market considering the increase in material costs industry wide. One major cause of the high cost of reconstruction is the increase in the cost of concrete and the public works fees to pay for the replacement of the damaged curbs, sidewalks and approaches. The critical ratios are as follows:

A) Loan to Value:

| Total Housing Debt (All Mortgages) | $161,605.00 | 52% (Program Max 100%) |
| After-Rehab Appraisal             | $310,000.00 |

B) Housing Debt Ratio:

| Housing Debt (princ/imp) | $400.00 | 40% (Program Max 60%) |
| Monthly Income           | $979.38 |

C) Total Debt Ratio

| Total Debt (Housing & Consumer Debt) | $400.00 | 40% (Program Max 60%) |
| Monthly Income               | $979.38 |

The CDBG loan in the amount of $11,950 will be used to refinance the borrowers existing loan in order to reduce the existing housing debt, which, when coupled with common living expenses currently exceeds 30% of the gross income. The refinancing of the housing debt is permitted if this situation occurs. The applicant will repay the CDBG loan at a rate of $50.00 a month which is reflected as part of the ratios in B and C above.

For a period of 30 years all loans will be at zero percent interest. The City of Stockton will collect the impound funds to pay the property taxes and fire insurance premiums.

Financial Summary

The CalHome loan in the amount of $65,000 will expended from the CalHome Reuse Loan Program account number 060-000-239.31-00. This loan will be funded from revenues received from the repayment of previously approved CalHome loans which must be reused to fund additional housing loans per the terms of the funding agreement. The H.E.L.P loan in the amount of $84,655 will come from the H.E.L.P reuse account 061-0000-239.31-00, State Housing Loan Programs. This loan will also be funded from revenues received from the repayment of previously approved H.E.L.P loans which must be reused to fund additional housing loans per the terms of the funding agreement. The Community Block Grant Loan in the amount of $11,950, will be funded from Community Development Block
RESOLUTION: AUTHORIZING A CALHOME LOAN IN THE AMOUNT OF $65,000; A H.E.L.P. LOAN OF $84,655; A CDBG LOAN OF $11,950 AND A SENIOR CDBG GRANT OF $5,000 TO JOSE B. GUZMAN – 927 SOUTH SIERRA NEVADA STREET

Grant Revolving Loan Fund account number 062-8523-640. The Community Development Block Grant in the amount of $5,000 will be funded from Community Development Block Grant Loan account number 052-8523-640, Multi-Family Housing Pool.

Respectfully submitted,

[Signature]
LAURIE MONTES, DIRECTOR
HOUSING DEPARTMENT

APPROVED BY:

[Signature]
STEVE CARRIGAN, DIRECTOR

APPROVED BY THE CITY MANAGER:

[Signature]
J. GORDON PALMER, JR.
CITY MANAGER
Improper interior repairs.
Foundation is beginning to deteriorate.

Cracks caused by failing foundation.
Illegal steps.

Subfloor separating.
Resolution No. ________

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING A COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN IN THE AMOUNT OF $11,950, A H.E.L.P LOAN IN THE AMOUNT OF $84,655, A CALHOME LOAN OF $85,000 AND A SENIOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) OF $5,000 TO JOSE B. GUZMAN—927 SOUTH SIERRA NEVADA STREET

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. A CDBG loan by the City of Stockton in the amount of Eleven Thousand Nine Hundred Fifty Dollars ($11,950); a H.E.L.P loan in the amount of Eighty-four Thousand Six Hundred Fifty-five Dollars ($84,655); a CalHome loan in the amount of Sixty-five Thousand Dollars ($65,000) and a Senior Community Development Block Grant (CDBG) of Five Thousand Dollars ($5,000) are hereby approved.

2. The loan will be evidenced by promissory notes secured by deeds of trust on the property located at 927 South Sierra Nevada Street in the City of Stockton, California.

3. The City Manager is hereby authorized and directed to take whatever actions are necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED and ADOPTED

EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

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