

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: ANGELA MORGAN, PROGRAM SPECIALIST
SUBJECT: RESCINDING HOUSING AUTHORITY RESOLUTION NUMBER
1534 AND ADOPTION OF A NEW RESOLUTION DELEGATING
APPROVAL AUTHORITY TO THE EXECUTIVE DIRECTOR OR
DESIGNEE FOR CERTAIN MULTIFAMILY RENTAL AND
OWNERSHIP HOUSING AGREEMENT MODIFICATIONS

AGENDA ACTION: RESOLUTIONS

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution rescind Resolution Number 1534 and approve the delegation of approval authority to the Executive Director or designee on certain multifamily rental agreements and single-family ownership housing to approve modifications and term extensions, in order to achieve administrative cost savings and streamline the review process for items traditionally brought forward to the Housing Authority for consideration and action.

EXECUTIVE SUMMARY

Housing Authority Resolution Number 1534 was adopted on December 12, 2011, and delegates approval authority to the Executive Director for construction timeline extensions, subordination of loan agreements, amendments to regulatory agreements, compliance monitoring fee annual CPI adjustments, and temporary rental of owner-occupied restricted units. Most of these functions relate to multifamily rental projects. The Housing Authority currently maintains an ownership portfolio of 280 homes throughout Santa Rosa, consisting of loans, option agreements, and resale restriction agreements, with varying loan terms and maturity dates. Periodically, homeowners approach Authority staff to request modifications of their agreement terms which currently requires Housing Authority board approval for each individual request. This item, if approved, would provide needed updates to the existing delegation of authority to the Executive Director or designee and the ability to approve certain modification and extension requests for these ownership agreements.

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BACKGROUND

The previous delegation of approval to the Executive Director was approved in 2011. Over the past thirteen years, certain terminology has changed, and multifamily rental projects now often require multiple layers of financing to be constructed, realizing multiple layers of regulations to comply with all funding source requirements. The existing delegation of approval authority provides narrow approval authority for the Executive Director based on the typical requests that the Housing Authority was approached with prior to 2011 and does not include approval authority for homeownership loan modification requests.

For homeownership agreements, Housing Authority staff performs detailed eligibility processing and loan underwriting, option agreements, and resale restriction agreements for new homes and resales. Post issuance of loans and agreements, staff performs loan servicing tasks including loan payoffs, receipt payments, collection efforts, releasing of liens when appropriate, and subordination requests. Currently, there are eight borrowers with amortized loans requiring a monthly payment obligation that requires approximately 10-12 hours of staff time monthly for billing, receipting, coding, communication, collection efforts, and ongoing monitoring.

Housing and Community Services (HCS) staff performs ongoing monitoring and compliance tasks that include maintaining current insurance policies on file and performing annual occupancy certifications.

The majority of loans in this ownership portfolio were initially constructed and sold through an affordable housing program and funded through developer then passed through to the buyers. This financing included an affordable housing agreement in the form of an option agreement or a resale restriction agreement with an option to purchase. The other portion of this portfolio are rehabilitation loans that were issued to fund home repairs identified as necessary health and safety improvements for single-family homes and mobile homes.

Loan terms vary, and typically range from 0.0% - 3.0% interest, though some older loans have tiered interest rate structures or interest as high as 10%, or have shared appreciation, and are either deferred or amortized loans. Although a term of 30 years is most common, other loan terms may be shorter or longer depending on the loan program used at the time of issuance.

The loan terms for the majority of the single-family ownership housing loans are deferred payment that do not require a monthly payment, and the entire principal and interest becomes due at maturity, or upon the sale or transfer of the property. For homeowners who remain in their home for the entire term of the loan, paying the balance in full at end of the loan term is not a financial possibility. These homeowners will approach the Housing Authority for a modification to their loan terms or face selling

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their home to repay the loan from the sale proceeds. For homeownership agreements, the Authority's goal has been to allow the homeowner to remain in their home by collaborating on agreement modifications when necessary to facilitate continued affordability and to minimize displacement. Depending on the individual needs of the homeowner, past modifications have included agreement term extensions, modifications from amortized to deferred loans, and interest rate reductions in exchange for an extended term or until the property is sold or transferred, whichever occurs first.

The current delegation of approval authority in Resolution Number 1534 does not include provisions to allow extensions or modifications for homeownership agreements, which requires staff to bring each individual request to the Housing Authority for consideration and action.

PRIOR HOUSING AUTHORITY REVIEW

On December 12, 2011, the Housing Authority, by Resolution No. 1534, approved a delegation of authority to Executive Director or designee for consideration and action on items such as timeline extensions, subordination of loan agreements, amendment to regulatory agreements, density bonus increase program compliance monitoring fee annual CPI adjustment, and policy statement of temporary rental of owner-occupied restricted units.

ANALYSIS

Resolution No. 1534, approved on December 12, 2011, does not meet the current standards of approval authority for the Executive Director to manage the Housing Authority loan and affordable home portfolio in a timely manner.

In anticipation of homeownership loans maturing beginning in May 2024, it is desired to streamline the administrative review process of certain requests to extend or modify loans and agreements for single-family homeowners that would traditionally be brought forward to the Housing Authority board for consideration and action, to achieve administrative cost savings by eliminating the time and expense to prepare agenda items for each request.

It is recommended that approval authority is granted to the Executive Director for ownership housing loan term modifications including term extensions of up to 15 years, deferred payments, 3% interest or shared appreciation, that do not require income verification for eligibility, due on the earlier of any sale, transfer, or refinance with cash out.

A summary of the changes to the approval authority to the Executive Director or Designee is included in the following table:

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ITEM	SUMMARY OF CHANGE
1. Construction timeline extension	<ul style="list-style-type: none"> No changes
2. Subordination Agreements (Rental and Ownership)	<ul style="list-style-type: none"> Clarifies requirement of equal or lower interest rate/term with no cash out.
3. Assignment and Assumption Agreements and Change of Ownership	<ul style="list-style-type: none"> Approval provision is included in loan documents but was not previously specified in delegation of approval authority. Anticipated increase in requests as projects reach their 15-year tax credit period.
4. Amendment to Regulatory Agreements (Amendments, Amended and Restated Agreements, etc.)	<ul style="list-style-type: none"> Consolidated two items into one and includes additional language related to rent limit clarifications.
5. Timeline extension for Housing Authority Option to Purchase Unused Mitigation Credits	<ul style="list-style-type: none"> No changes
6. Compliance Monitoring Fee Annual CPI Adjustments	<ul style="list-style-type: none"> Removed specific reference to Density Increase Program.
7. Santa Rosa Creek Commons Service Agreement annual renewal	<ul style="list-style-type: none"> No changes
8. Homeownership Loan Modifications	<ul style="list-style-type: none"> New approval authority delegation
9. Modification to other Homeownership Agreements (Resale Restriction, Option, other liens of record, etc.)	<ul style="list-style-type: none"> New approval authority delegation

Staff is consistently contacted for loan servicing requests and in an effort to provide efficient customer service, the delegation of approval authority to the Executive Director or designee, would allow staff the ability to provide affordable options in a timely manner.

FISCAL IMPACT

Approval of this action and streamlining the administrative process will result in a savings of administrative costs in Fiscal Year 2023/2024 and each year thereafter by reducing the number of individual homeownership modification requests to the Housing

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Authority board.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

NOTIFICATION

Not applicable

ATTACHMENTS

- Attachment 1. Housing Authority Resolution Number 1534
- Resolution – Rescinding Housing Authority Resolution Number 1534
- Resolution – Delegation of Approval Authority to Executive Director
- Exhibit A – Housing Authority Delegation of Approval Authority to Executive Director or Designee for Consideration and Action

PRESENTER

Angela Morgan, Program Specialist, amorgan@srcity.org