



County of Santa Cruz

REDEVELOPMENT AGENCY

701 OCEAN STREET, ROOM 510, SANTA CRUZ, CA 950604000

(831) 454-2280 FAX: (831) 454-3420 TDD: (831) 454-2123

TOM BURNS, AGENCY ADMINISTRATOR

August 8, 2002

Agenda: August 20, 2002

Board of Directors
County of Santa Cruz Redevelopment Agency
701 Ocean Street
Santa Cruz, CA 95060

Felton Grove Loan Program

Dear Members of the Board:

On December 15, 1998 your Board, as the Board of Supervisors, approved the initial phase of the Felton Grove Elevation Project sponsored by FEMA and currently managed by the County's Office of Emergency Services (OES). The purpose of this Project is to elevate homes above the 100 year flood level in the Felton Grove area by providing FEMA grants for 75% of project costs, with a 25% private match from property owners. At the time of the grant application, the Redevelopment Agency offered to provide financial assistance to low income households otherwise unable to participate in the Project. As it turns out, no Agency assistance was needed during the first phase of the Project.

On June 28, 2002, your Board appropriated additional grant funds from FEMA totaling \$1,764,767 for the second phase of the Project and approved a project time extension through October 31, 2003. OES staff anticipate that these additional funds will allow 12 to 15 property owners in Felton Grove to elevate their homes. Furthermore, OES staff believe that some low income property owners within this group will not be able to raise the required 25% in matching funds, thereby triggering the need for the Agency to formalize its Program participation.

Typical Project Costs and Financing

Typically flood elevation projects cost between \$100,000 to \$140,000 to complete. Of this amount, the property owner's required "matching" cash contribution under the FEMA grant agreement is 25% of the total, or between \$25,000 to \$35,000. While this financing structure is very attractive, OES staff have identified about 10 low income property owners of the 54 in the Felton Grove FEMA designated floodplain who they believe cannot raise the required matching funds.

Felton Grove Loan Program

In response to this demonstrated need, we recommend approval of a new Agency sponsored program entitled the "Felton Grove Loan Program." This Program would provide low interest "matching" loan funds to low income homeowners in the Felton Grove area for FEMA approved elevation project costs. Agency staff would work closely with OES staff to authorize and disburse loan funds as work is completed. The proposed Program guidelines are modeled after the Board approved Housing Rehabilitation Program Guidelines for owner occupied loans, with minor amendments as follows:

- Set maximum loan amount to \$35,000
- Authorize the Agency Administrator, rather than the Loan Review Board, to approve and manage all loans
- Set maximum total loan to value ratios for preconstruction loans to 90% of "as-is" appraised value
- Set maximum total loan to value ratios for construction loans to 90% of "after elevation" appraised value
- Whenever possible, require that home owners contribute a minimum of \$2,500 in cash to the project
- Set maximum cash reserve limits (after \$2,500 contribution to the project) to \$5,000 for non seniors and \$60,000 for seniors 62-years of age or older
- Increase minimum housing expense ratios from 30% to 35%

By setting limits on maximum cash reserves, with greater allowances for seniors, and by raising housing expense ratios from 30% to 35%, property owners will utilize most available financial resources prior to receiving Agency financial assistance. A detailed summary of the proposed Program guidelines is attached for your Board's review.

Summary and Recommendation

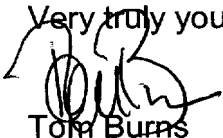
Recognizing that some low income property owners do not have the financial means to provide 25% in matching funds to benefit from FEMA's grant in Felton Grove, we recommend the adoption of the Agency sponsored Felton Grove Loan Program. \$300,000 from the Agency's Low and Moderate Income Housing Fund is budgeted for FY 2002-2003 for this Program.

It is therefore RECOMMENDED that your Board, as the Board of Directors for the Redevelopment Agency:

1. Approve the Felton Grove Loan Program Guidelines (Attachment 1); and
2. Authorize the Agency Administrator to implement and administer the Program.

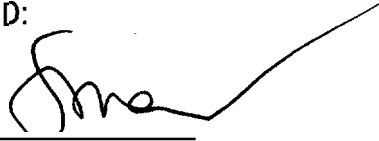
Board of Directors
August 8, 2002
Page 3

Very truly yours,



Tom Burns
Redevelopment Agency Administrator
TB:RMcB

RECOMMENDED:



Susan A. Mauriello
Redevelopment Agency Director

Attachment

cc. RDA
S:\BOARDPND\FeltonGrove.wpd

Felton Grove Loan Program Guidelines

Property Location, Type and Use

- Property must be located in the FEMA approved target area of Felton Grove
- Fee simple or life estate ownership
- Owner-occupied

Maximum Household Incomes

- “Household income” is defined per County’s Affordable Housing Guidelines
- Household income must be 80% or less of Santa Cruz County area median income, as adjusted by household size
- The 2002 lower income limits are as follows:

Household Size	1	2	3	4	5	6	7	8
Income Limit 80% AMI	\$36,700	\$41,900	\$47,150	\$52,400	\$56,600	\$60,800	\$64,950	\$69,150

Loan Terms

- Maximum loan amount: \$35,000
- Interest rate: 3.0% interest, deferred or amortized payments depending on borrower’s housing expense-to-income ratio
- Due and payable: Loan is due and payable upon sale or transfer of the home or if it is no longer the owner’s principal residence
- Security: Loan is secured by a deed of trust recorded against the property

Loan Underwriting Guidelines

- Loans are made on a first come – first served basis
- Borrower’s minimum cash contribution to project: \$2,500
- “Assets” are defined per County’s Affordable Housing Guidelines
- Maximum asset reserve for non-seniors: \$5,000
- Maximum asset reserve for seniors (62-years of age or older): \$60,000
- Minimum housing expense-to-income ratio, including Agency loan: 35%
- Minimum credit rating (FICO score): 620
- Total liens of record, including Agency loan, cannot exceed 90% of appraised value of property as follows:
 - For estimated preconstruction costs – 90% of “as-is” appraised value
 - For estimated construction costs – 90% of “after elevation” appraised value

Approved Loan Expenses

- Property appraisal
- Loan escrow fees, title insurance premium and closing costs
- FEMA approved elevation related preconstruction and construction costs

Ineligible Loan Expenses

- Owner’s prior project expenses
- Housing repairs, additions or remodels that are not approved by FEMA

Agency/Owner Escrow Account

- Agency and owner will set up joint project escrow account
- Owner will deposit minimum of \$2,500 to escrow account prior to Agency's deposit of loan funds
- Project costs are paid out of owner's funds first, then from Agency loan funds
- Funds are disbursed from escrow only upon written authorization by owner and Agency
- FEMA reimbursement payment to owner (for preconstruction costs) must be deposited directly into this joint escrow account

Performance Schedule

- Agency and Owner will enter into a performance schedule for issuance of building permits and completion of the elevation project. Agency may withdraw remaining loan funds from escrow if performance schedule is not reasonably met by owner

General Terms and Conditions

- After completion of project, Agency staff will annually verify continuing owner-occupancy of the home
- The Agency Administrator may make reasonable exceptions to these guidelines