

5. CONSERVATION OF AFFORDABLE UNITS

The analysis of the Conservation of Affordable Units section relied primarily on data from the San Benito County Housing and Economic Development Department, San Benito County Services and Workforce Development, City of Hollister Redevelopment Agency and South County Housing.

Federally Assisted Housing Projects

Migrant Center Winter Emergency Shelter:

There are 15 transitional-housing units and 15 winter emergency shelter units located at the San Benito County Southside Migrant Center that are unlikely be at risk of conversion during the 2007 - 2014 program period. The administration of this program has been funded by various Federal, State and local grants which include; but are not limited to, Community Services Block Grants (CSBG) for winter shelter salaries, Community Development Block Grants (CDBG) for homeless shelter and 3 transitional trailers, Emergency Food and Shelter Program (EFSP), Emergency Housing Assistance Program (EHAP) for rental assistance for emergency shelter, and Low Income Heating & Energy Assistance Program (LIHEAP) for PG&E assistance. These funding sources help further provide for additional resourced benefiting residents during the time the facilities are open.

Section 8 Housing:

The Santa Cruz County Housing Authority administers Section 8 housing for the City of Hollister. There are thirty Section 8 housing units in the unincorporated area that were established when Hollister lacked a sufficient stock of housing available for Section 8. These units are unlikely be at risk of conversion during the 2007 - 2014 program period. San Benito County will coordinate with the Santa Cruz County Housing Authority to explore the feasibility of establishing Section 8 housing in the unincorporated area.

Other Affordable Housing Units

Inclusionary Housing First-Time Homebuyer (FTHB) Program:

The County currently has 26 moderate-income and 28 low-income resale restricted homeownership units within the Riverview Estates Subdivision. The County also has 5 moderate-income restricted homeownership units and 8 low-income deed restricted accessory dwelling rental units within the Oak Creek subdivision. These units located within the Oak Creek and Riverview Estate subdivisions were originally constructed as affordable low and moderate-income restricted homeownership and rental units between 1992 and 1997.

The resale pricing, as stated in the Resale and Refinance Restriction Agreement, is tied the Area Median Income (AMI) to ensure continued affordability. The AMI specifies that the resale price shall be no more than the initial (affordable) purchase price plus an adjustment based on the annual change in the AMI published by HUD. Each year, as the AMI rises, the maximum resale prices rise at exactly the same rate. Because increases in the permissible sales price of the home are tied to increases in income rather than increases in the prices of market-rate homes, a new buyer with the same income profile should be able to purchase the home for this price without any need for additional public subsidy. If the resale price is limited so that it does not increase any faster than incomes, the same house can remain affordable to one working family after another without any new subsidy.

The County required that both developments include 30-year resale restrictions that only allow the affordable homeownership units be resold as affordable housing. The 8 low-income accessory dwelling, rental units within the Oak Creek subdivision include a 30-year deed restriction as well. The intent of this requirement is to ensure that the housing units remain affordable over a long period of time. The affordable homeownership units within the Riverview Estates and Oak Creek subdivisions will be only at risk of conversion for the 2007–2014 program period due to potential foreclosure.

HOME First-Time Homebuyer (FTHB) Program:

In 1994 and 1995, the County issued first-time homebuyer loans in amounts between \$30,000 - \$50,000 to provide down payment assistance for 19 low-income homeownership units within various subdivisions located in the City of Hollister. Out of the 19 original HOME loans that were issued only 3 HOME loans remain unpaid and will be due and payable between 2009 - 2010 and will have reached their fifteen year maximum maturity date as stated in the original Promissory Note, Loan Provision Agreement, and Deed of Trust.

In 1998, San Benito County issued additional first-time homebuyer loans in amounts of \$25,510 to provide down payment assistance to 28 low-income households within the Riverview Estates subdivision. The 28 low-income homeownership units that were subsidized using HOME Funds included a 33 year deferred payment Note with a shared appreciation feature.

Preservation Methods

Monitoring Actions:

An annual monitoring requirement of all units that participate in the County's Inclusionary Housing Program and HOME Program continues to be performed. The County requires proof through documentation, such as a recent utility bill, homeowner's insurance policy, and/or mortgage statement, that the unit is being occupied as an owner-occupied principal residence. The homeowner's are required to either drop off or mail in required documentation.

A detailed database has been created for all County Inclusionary Housing and HOME Program participants. The database shows all liens, mortgage balances, loan types, loan amounts, interest rates, transaction dates, current equity position, owner contact information, compliance status, and units at-risk of conversion.

Staff performs property history reports every six months for all County restricted and/or subsidized homeownership units. Information is verified at the County Recorder office. The property history report shows, chain of title, transaction events, current owner, current lender, original loan amount balance and all recorded liens.

Finance and Technical Preservation:

San Benito County's Inclusionary Housing Ordinance (No. 766) requires a 30 yr. resale and deed restriction to ensure continuing availability of homeownership and rental units to very low, low and moderate-income households within the Riverview and Oak Creek subdivisions. The Ordinance was adopted in 2004.

The County's Resale and Refinance Restriction Agreement which is recorded against all affordable homeownership units within the Riverview and Oak Creek subdivision provides the

County with the “option to purchase” any at-risk unit from conversion to market rate due to notice of defaults, illegal transfers or non-compliance issues. Under the Resale and Refinance Restriction Agreement the County can also assign the “option to purchase” to a qualified non-profit affordable housing developer and/or find a new qualified affordable applicant off of the County waiting list to purchase the at-risk unit. A database of all qualified non-profit affordable housing developers has also been established.

The County’s Inclusionary Housing Trust Fund which is primarily funded by developer in-lieu fees can also be used to help subsidize and/or purchase at-risk units from market-rate conversion.

Actions to Assist Borrowers:

The County Housing and Economic Development Department has partnered with the City of Hollister Redevelopment Agency to perform multiple bilingual homeownership and foreclosure prevention workshops to the public. The purpose of the homeownership workshops is to promote the awareness of the County Affordable Housing Program and to establish a waiting list of qualified applicants should an affordable unit become available. The purpose of the foreclosure prevention workshop is to educate at-risk homeowners on their options in order to preserve their affordable unit. The County Housing and Economic Development Department also refers at-risk homeowners to local HUD Approved Certified Counseling Agencies along with providing important lender contact information. See Table 5-1 for a list of local HUD Approved Certified Counseling Agencies. The County will continue to provide education to at-risk homeowners and the community at-large, on the need to preserve the existing affordable housing stock.

Table 5-1
Local HUD Approved Certified Counseling Agencies

Organization	Address	City
Project Sentinel	7800 Arroyo Circle, Bldg. A	Gilroy
Monterey County Housing Alliance (MOCHA)	134 East Rossi Street	Salinas
Housing Authority of the County of Santa Cruz	2931 Mission Street	Santa Cruz
California Rural Legal Assistance	501 Soquel Ave, Suite D	Santa Cruz
Neighborhood Housing Services Silicon Valley (NHSSV)	1156 North Fourth Street	San Jose
Association of Community Organizations and Reform Now (ACORN)	395 E. Taylor Street	San Jose

Source: San Benito County Housing and Economic Development Department

Costs Analysis

In order to provide a cost analysis of preserving “at-risk” units, costs must be determined for preservation, rehabilitation, and new construction. The factors used to analyze the cost to preserve at-risk housing units include acquisition, rehabilitation, and financing costs. Preservation, rehabilitation, and new construction assumptions were based on a 1,500 square foot, single family residential market-rate dwelling unit. There are currently no multi-family restricted and/or subsidized affordable housing units in the unincorporated area of the County.

Estimated Costs of Preservation:

Should a restricted low or moderate-income unit become at-risk, the County could exercise its “option to purchase” the unit as stated in the recorded Resale and Refinance Restriction Agreement. The County Resale and Refinance Restriction Agreement states that the County has the “option to purchase” “assign the option to purchase” and/or bring in a qualified low or moderate-income applicant from an established waiting list to purchase the at-risk unit. The County Resale and Refinance Restriction Agreement states that the at-risk unit shall be purchased at the lower of the Area Median Income (AMI) calculated resale formula price or current market value, whichever is lower. According to a recent Broker Price Opinion as of February 12, 2009 performed by Residential Real Estate Review, Inc. existing unrestricted 1,500 square foot single family residential dwelling units are valued between \$180,000 – \$195,000. Residential Real Estate Review, Inc. also estimates that restricted low and moderate-income homeownership units are valued between \$160,000 - \$175,000. If the County had to preserve an at-risk restricted homeownership unit, in most cases the current market value would be lower than the AMI calculated resale formula price.

The County has partnered with local non-profit affordable housing developers who have additional resources should an at-risk unit become available. In the past, local non-profit affordable housing developers such as Community Services Development Corporation (CSDC) and South County Housing have assisted the County in the acquisition of at-risk homeownership units and have kept the units in the County Affordable Housing Program. See Table 5-2 for a list of local Affordable Housing Developers who would be interested in acquiring at-risk units. The County also has an Inclusionary Housing Trust Fund from the collection of developer in-lieu fees which also could also be used to preserve any at-risk units.

Table 5-2
Non-Profit Affordable Housing Organizations
Interested in Acquiring At-Risk Homeownership Units

Non-Profit	Address	City
Community Services Development Corporation (CSDC)	1101 San Felipe Road	Hollister
South County Housing	7455 Carmel St	Gilroy
Community Housing Improvement Systems and Planning Association, Inc. (CHISPA)	295 Main Street, Suite 100	Salinas

Source: San Benito County Housing and Economic Development Department

The County also has an established waiting list of qualified low and moderate-income homeowners. The County could bring in a qualified applicant from the waiting list to acquire an at-risk restricted unit. Only a small subsidy requirement for down payment assistance would be needed to assist a waiting list qualified applicant to purchase an at-risk unit. Qualified moderate-income applicants would qualify for purchase prices of \$175,000 or significantly higher. The 2008 Area Median Income (AMI) is \$78,000 in San Benito County. Moderate-income purchasers are allowed up to 120% of the County AMI based on household size. A moderate-income household of 4 can support a sales price up to \$305,000. As a result, qualified moderate-income purchasers would only need a small subsidy in the form of down payment and closing costs assistance to acquire any at-risk units. A low-income household size of 4 using up to 80% of area median income can support a sales price up to \$195,000. As a result, qualified low-income purchasers would only need a small subsidy in the form of down payment and closing costs assistance to acquire any at-

risk units. Table 5-3 and 5-4 below estimates the preservation cost when bringing in a qualified applicant from the waiting list to acquire an at-risk unit.

Table 5-3
Moderate-Income Preservation Costs

Fee/Cost Type	Cost per Unit
Est. Market Value	\$175,000
10% Down Payment	\$17,500
3% Closing Costs	\$5,250
Total Preservation Costs per Unit	\$22,750

Source: San Benito County Housing and Economic Development Department, Residential Real Estate Review, Inc.

Table 5-4
Low-Income Preservation Costs

Fee/Cost Type	Cost per Unit
Est. Market Value	\$160,000
10% Down Payment	\$16,000
3% Closing Costs	\$4,800
Total Preservation Costs per Unit	\$20,800

Source: San Benito County Housing and Economic Development Department, Residential Real Estate Review, Inc.

Estimated Costs of Rehabilitation:

These figures are estimates since actual costs will depend on condition, size, location, existing financing, and the availability of financing. Information from similar projects, in addition to the cited sources helped in formulating the numbers in the following tables.

Table 5-5
Rehabilitation Costs

Fee/Cost Type	Cost per Unit
Acquisition	\$180,000
Rehabilitation	\$35,000
Total Cost Per Unit	\$215,000

Source: San Benito County Housing and Economic Development Department, South County Housing

Estimated Costs of New Construction/Replacement:

The following cost estimates are estimates based on new construction single family residences in San Benito County. The actual replacement costs for any at-risk units will depend on many variables such as the number of units, location, density, unit sizes, on and off-site improvements, and both existing and new financing.

Table 5-6
New Construction/Replacement Costs

Fee/Cost Type	Cost per Unit
Land	\$66,000
Construction and Development	\$264,000
Total Cost Per Unit	\$330,000

Source: San Benito County Housing and Economic Development Department, South County Housing

Units At-Risk

County staff has performed an analysis and projection regarding the number of units which may be at risk of conversion for the upcoming program period. Staff projects that the HOME down payment assistance loans provided in 1994 and 1995 will be the first to convert. These loans will be required to be paid in full between 2009 – 2010 due to the maximum fifteen year maturity date as stated in the original Promissory Note, Loan Provision Agreement, and Deed of Trust. See Table 5-7.

Table 5-7
Affordable Units at Risk of Conversion in Unincorporated Area of San Benito County

Affordable Project Name		Total # of Units Restricted or Subsidized	Projected # of Units at Risk of Conversion for Planning Period 2007 - 2014
Type of Restriction and/or Subsidy	Unit Type		
<u>Riverview Estates Subdivision – Resale Restriction Agreement</u>			
Moderate-Income Units	For-sale	26	4
Low-Income Units	For-sale	28	2
<u>Oak Creek Subdivision – Resale Restriction Agreement</u>			
Moderate-Income Units	For-sale	5	0
<u>Oak Creek Subdivision – Deed Restriction</u>			
Low-Income Units (Accessory Second Dwelling Units)	Rental	8	0
<u>Riverview Estates Subdivision – 98' HOME FUNDS (Down Payment Assistance)</u>			
Low-Income Units	For-sale	25	1
<u>City of Hollister Various Subdivisions – 94' & 95' HOME FUNDS (Down Payment Assistance)</u>			
Low-Income Units	For-sale	3	3*
<u>Section 8 – Rental Subsidy</u>	Rental	30	0
Total		125	10

* HOME FUNDS: 3 HOME loans will have reached their fifteen year maximum maturity date and be due and payable between 2009 - 2010

Sources: San Benito County Community Services and Workforce Development, San Benito County Housing and Economic Development and City of Hollister Redevelopment Agency.