

CITY OF SAN ANTONIO
Neighborhood Action Department
Interdepartmental Correspondence Sheet

TO: Mayor and City Council

FROM: David D. Garza, Neighborhood Action Director

THRU: Terry M. Brechtel, City Manager

COPIES: Jelynn LeBlanc Burley, Assistant City Manager; File

SUBJECT: HOUSING ASSET RECOVERY PROGRAM

DATE: February 12, 2004

SUMMARY AND RECOMMENDATION

This ordinance would adopt the operating budget for the City of San Antonio's Housing Asset Recovery Program (HARP) for FY 2003-2004 and approve the HARP Workplan. The ordinance will also ratify the execution of a contract renewal and provide for payment between the City of San Antonio and the Fannie Mae Corporation for the provision of property disposition services and renovation services for single-family homes for the period beginning December 11, 2003 to December 10, 2004 in connection with the HARP program.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Housing Asset Recovery Program (HARP) was created to address the concerns of inner city residents regarding abandoned housing. The goals of HARP are to increase the number of affordable housing units; rehabilitate existing housing stock; return properties to tax rolls; eliminate blight; and create public/private partnerships. The City's role is to acquire properties that can be put back into productive use. The role of the Fannie Mae Corporation's National Property Disposition Center (NPDC) is to contract for the rehabilitation, market and sale of these properties on the City's behalf. A secondary relationship exists with the Fannie Mae American Communities Fund which provides the line of credit for the acquisition and rehabilitation of properties.

As part of the FY 02-03 workplan, staff developed an acquisition plan to facilitate the referral of more units to the NPDC. The acquisition plan included several outreach efforts not limited to the release of a Request for Interests (RFI) which was conducted in the spring of 2003 for Lending Institutions to participate and partner with the City. There were no responses to the RFI. In addition, several articles and advertisements were placed in the Express-News to solicit those interested in selling properties to the City. Staff also marketed this opportunity through the Neighborhood Sweeps Program and a direct mail piece to all registered neighborhood organizations. Those properties identified through

these efforts were evaluated for feasibility and were found to be in need of extensive repairs exceeding the projected eventual sales price.

Despite these efforts to acquire additional properties during the past twelve months, the City has been working to complete the rehabilitation and sale of the 16 units relocated from Martinez Creek after the flood of 1998 as well as those donated by HEB as a result of their expansion on Fredericksburg Road. Four of the flood buyout properties relocated to Clark sold for an average price of \$52,800. An additional two structures currently in inventory required relocation and staff conducted the necessary processes to procure structural engineering and relocation services. Based on the bid information received, staff has determined that the relocation and rehab of the properties is cost prohibitive and will be sold as salvage. The remaining twelve are currently listed through NPDC and have an average list price of \$53,340. The properties are located throughout the city and currently offers have been received for two properties. With the completion of the sale of the twelve properties, the City's contractual obligations with the NPDC will be met.

The FY 03-04 workplan includes the acquisition, rehabilitation and sale of eight units during the next twelve months. These units will not be completed with the assistance from the NPDC, however the line of credit will be used for the relocation of three properties in connection with the city-owned Travis Building Redevelopment (Beal Street) and the rehabilitation of the five properties from the Historic Gardens Phase III project currently underway through the San Antonio Development Agency (SADA). The Beal Street properties will require relocation and the SADA properties will be rehabbed in place. In order to maximize the opportunity for proceeds to help pay back the line of credit, these eight units will work differently in that City staff will procure contractor services to complete the necessary rehab and oversee the management and completion of each project. In addition, staff will procure the services of a real estate agent to sell these eight properties. Currently, the NPDC average rehab cost is limiting the amount of sufficient proceeds to pay down the line of credit; therefore staff is proposing to conduct the procurement process for the rehabilitation of the pending eight units in inventory.

Due to issues related to project feasibility and positive cash flow after rehabilitation and sale of these properties, staff is recommending that the existing inventory be processed as outlined above. Staff is interested in expanding the relationship with Fannie Mae and the American Community Fund to develop a new program for HARP and continuing the \$1.25 million line of credit which is set to expire in August 2006. The details will be presented to the City Council at a later time for consideration.

POLICY ANALYSIS

In December 2002, the City Council approved a one-year extension on the contract with Fannie Mae Corporation's National Property Disposition Center (NPDC) for property renovation and disposition services provided for the HARP. This contract authorizes Fannie Mae to sell properties on the City's behalf. This ordinance ratifies the execution of this one-year extension contract, which was conditional upon approval of the workplan by the City Council.

The proposed program workplan and proforma for FY 2003-2004 is included as Attachment I and provides a year to date status of the program. The proposed workplan includes the acquisition, relocation and rehabilitation of three properties, acquisition and rehabilitation of five properties, and

the sale of a total of twenty properties.

FINANCIAL IMPACT


The proposed program budget for FY 2003-2004 is included as Attachment I. The proposed budget estimates proceeds from the sale of twelve properties currently in NPDC's inventory totaling \$640,080. The proceeds from the sale of the eight properties to be acquired this year are estimated at \$480,000. Additional funding sources (CDBG and Neighborhood Revitalization Funds in the amount of \$309,000) will be used for the acquisition and rehab of the three Beal St. properties. Total revenues projected for the FY 03-04 workplan is \$1,429,080.

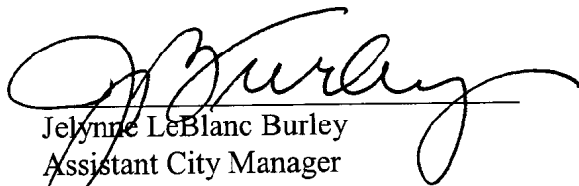
The expenditures for the twenty properties is estimated to be \$1,101,517. The projected ending balance after proceeds of sales for these twenty units is \$327, 563. There was a total \$252,110 in prior year expenditures for these units. Therefore, the final projected ending balance for the FY 03-04 workplan is estimated at \$75,453.

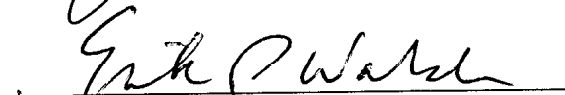
All project expenditures will be supported through the line of credit which currently has a balance due of \$301,107. The line of credit is collateralized with \$312,500 that was made available by the San Antonio Housing Trust Foundation. Furthermore, \$1,000,000 is maintained unencumbered in the San Antonio Housing Trust Corpus Fund and serves as security for the line of credit. Administrative support for two existing positions for the program is sustained through the General Fund.

COORDINATION

This item has been coordinated with the City Attorney's Office, Finance, and the Office of Budget and Management Analysis.


David D. Garza, Director
Neighborhood Action Department


Jelynn LeBlanc Burley
Assistant City Manager


Terry M. Brechtel
City Manager

**CITY OF SAN ANTONIO
HOUSING ASSET RECOVERY PROGRAM
PROPOSED FY 2003-2004 BUDGET**

61-01-05 Fund 29-029000 Special Revenue Fund

INDEX	REVENUES		
022251	Proceeds from 12 units in inventory	640,080	
022251	Proceeds from 8 units to be completed in FY 03-04	480,000	
	Proceeds from CDBG and Neighborhood Revitalization Funds	309,000	
	TOTAL ESTIMATED REVENUES		1,429,080
	EXPENDITURE BUDGET	FY 2004	
273334	PROPERTY ACQUISITION (LOTS)	37,500	
273078	CLOSING COSTS (TITLE INS, ETC.)	1,875	
274050	SITE WORK (ENGINEERING, UTILITY HOOK UPS)	22,000	
273326	HOUSE MOVING & FOUNDATION	45,000	
274100	REHAB - CITY	295,000	
274993	UTILITIES (PAID BY CITY)	2,400	
274415	INTEREST EXPENSE	10,000	
274613	STANDBY FEES	1,400	
274688	BROKER FEES	33,602	
	SUB-TOTAL CITY LINE OF CREDIT EXPENDITURES	448,777	
274357	REHAB - FANNIE MAE	640,740	
274985	NPDC PROPERTY FEES (APPRAISAL FEES, UTILITIES, PROPERTY MAINTENANCE, ETC.)	12,000	
	SUB-TOTAL NPDC EXPENDITURES	652,740	
	TOTAL ESTIMATED PROJECT EXPENDITURES		1,101,517
	ENDING BALANCE FOR FY 03-04 WORKPLAN		327,563
	PRIOR YEARS EXPENDITURES*		252,110
	FINAL PROJECTED ENDING BALANCE		75,453

***Notes:**

- 1) Budget does not include expenses from previous year for housing units.
- 2) Prior years expenditures are included in the current balance due to the line of credit totaling \$301,107.