

DATE: FEBRUARY 25, 2002
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER
SUBJECT: APPROVAL OF SALE TERMS AND CONDITIONS FOR COMMISSION-OWNED PROPERTY LOCATED AT 1033 N. LINCOLN AVENUE

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") take the following actions:

1. Approve the terms and conditions of the Purchase and Sale Agreement ("Agreement") for the sale of Commission-owned property located at 1033 N. Lincoln Avenue ("Property"); and
2. Authorize the Chief Executive Officer to execute, and the Secretary to attest, the Agreement and any other related documents on behalf of the Commission.

ADVISORY BODY RECOMMENDATION

The Community Development Committee ("Committee"), at its regular meeting on February 14, 2002, recommended Commission approval of the subject recommendation. As discussed in more detail below, the Committee also directed staff to consider an option whereby in future mortgage default situations, the Commission-assisted borrower in default may desire to deed the property to the Commission to avert foreclosure.

BACKGROUND

The Property is one of seven units in the Lincoln-Blake townhouse complex, developed by Pasadena Neighborhood Housing Services with Commission financial assistance in 1996. In January 1997, the Commission extended to a moderate income first-time home buyer (the "Borrower") a \$47,500 second trust deed loan to assist her purchase of the Property. The loan was made in accordance with the Commission's Homeownership Opportunities Program ("HOP"). Due to unemployment issues, Borrower defaulted on her First Nationwide mortgage twice. The first default, which occurred in August 1999 was cured with Commission assistance in the amount of \$7,921, which sum was added to the HOP loan, increasing the principal to \$55,421. Borrower was unable to cure the second default, which occurred in March 2000, and the property ultimately went into foreclosure. Attempts by Commission staff to persuade Borrower to put the Property on the market were unsuccessful.

Consistent with Commission policy adopted on November 6, 1995 regarding the administrative handling of HOP-assisted properties in default/foreclosure ("HOP Default Policy"), the Property

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was acquired by the Commission at a cost of \$118,886 in a trustee's sale on July 12, 2000. Borrower vacated the Property on November 21, 2000.

The buyer of the Property ("Buyer") was selected through a random drawing of applications solicited from a marketing/publicity effort which Commission staff commenced in September 2001. The drawing was held on October 31, 2001. The proposed Buyer is a qualified moderate income household.

At its meeting on February 14, 2002, the Committee also recommended that in first mortgage default situations where it is unlikely that a HOP-assisted borrower will be able to cure the default and a foreclosure sale is eminent, Commission staff should explore with the borrower his/her willingness to deed the property to the Commission. Under such a scenario, the Commission would bring the first mortgage current and resell the property. By averting a foreclosure sale, certain savings to the Commission may be achieved in regards to the first mortgage lender's foreclosure fees and related costs. Staff will evaluate this option for inclusion in a revised HOP Default Policy.

TERMS AND CONDITIONS OF AGREEMENT

The key terms and conditions of the Agreement are as follows:

1. The total consideration for the Property shall not be less than \$210,000 (not less than market value as determined by an independent appraisal).
2. The Buyer shall provide a minimum 3% down payment towards the purchase price.
3. The Commission shall offer to the Buyer HOP financing assistance in an amount not exceeding \$47,500 (the same amount extended to Borrower).
4. The escrow period shall be no longer than 30 days.

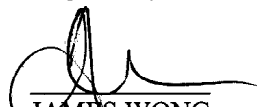
FISCAL IMPACT

Proceeds of the Property sale, estimated to be \$162,500, will be deposited into the Commission's Low and Moderate Income Housing Trust Funds. The fiscal impact of this transaction will be a net gain to the Commission of approximately \$31,800 (\$162,500 sale proceeds less: a) \$118,886 purchase cost; b) \$7,921 HOP advance to original Borrower; c) \$3,285 property maintenance costs); and d) \$600 closing costs).


Respectfully submitted


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