AGENDA FOR THE
ENGLEWOOD CITY COUNCIL
STUDY SESSION
MONDAY, NOVEMBER 8, 2010
COMMUNITY ROOM
6:00 P.M.

I. **Housing Rehabilitation Program**
Community Development Director Alan White will discuss the Housing Rehabilitation Program.

II. **Citizen of the Year Selection Process**
City Council will discuss the Citizen of the Year selection process.

III. **City Manager's Choice**

IV. **City Attorney's Choice**

V. **Council Member's Choice**
A. Scheduled/Unscheduled Speaker Dialogue

Please Note: If you have a disability and need auxiliary aids or services, please notify the City of Englewood, 303-762-2407, at least 48 hours in advance of when services are needed. Thank you.

CITY OF ENGLEWOOD
COMMUNITY DEVELOPMENT

TO: Mayor and City Council

THRU: Gary Sears, City Manager
Alan White, Community Development Director

FROM: Janet Grimmett, Housing Finance Specialist
Harold J. Stitt, Senior Planner

DATE: November 8, 2010

SUBJECT: Housing Rehabilitation Loan Program

In 1976, City leaders began discussions about housing conditions in Englewood and the need for a mechanism that would address the growing housing needs within the City. From these initial discussions the Housing Rehabilitation Loan Program was born. The purpose of the Loan Program was to preserve the existing housing stock and to help families finance major household repairs and enlarge their homes. In addition, various financial, social, and economic conditions also came together at that time to influence the creation of this program. Those influences were:

1. The Englewood School District was experiencing a drop in student enrollment due to families moving out of the City as their families grew in size. They requested assistance from the City to create a program that would encourage families to stay in Englewood by repairing and enlarging their homes;

2. Congress enacted Community Reinvestment Act (CRA) to encourage commercial banks and savings associations to meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods; and,

3. Congress created the Community Development Block Grant (CDBG) program that funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development.

Early in the Program, target areas were identified within the City to give priority to the oldest neighborhoods but by the early 1980's, loan requests were being received from families throughout the entire City. By the mid 1980's the fixed target area idea was abandoned and the Program opened citywide.

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The City and the Colorado Division of Housing provided initial funding for the Housing Rehab Program. In 1977, the Program leveraged a line of credit (LOC) through a local bank consortium. These funds were then blended with the government funds to reduce the effective interest rate for low-income families and to "stretch" the government funds to assist more families. Englewood was one of the first communities in the State to leverage private funds for a rehab program.

The Loan Program is designed to allow anyone whose principal residence is within the corporate limits of Englewood and met the 100% area median income limits for their family size, to apply for a rehab loan for their primary residence. Investors who owned small rental properties no larger than a 4-unit building are also eligible to apply.

The bank LOC has been in integral part of the City's Loan Program. The following is the history of the various banks participation:

1. Continental Bank	1977 - 1980	$ 450,000
2. First Interstate Bank	1980 - 1993	$1,350,000
3. Wells Fargo Bank	1993	$ 250,000
4. Vectra Bank	1993 - 2005	$4,179,000
5. WestStar Bank	2006	$ 750,000
6. US Bank	2007 - 2010	$2,250,000
	Grand Total	$9,479,000

In 1993, Vectra Bank assumed all of the outstanding balances from Continental Bank, First Interstate Bank, and Wells Fargo Bank as well as extending their own LOC. In 2006, WestStar Bank extended a new LOC to the Loan Program that allowed the income upper limits to be removed thereby opening up the program to families that previously were over income. US Bank assumed the outstanding balance of the LOC from WestStar Bank in 2006 when the banks merged.

The bank LOC is available to fund loans for homeowners and investors. The current interest rate on the LOC will be 3.18%. The LOC is made available to the Loan Program after an applicant's loan application is received and approved by the loan committee. The applicant's original promissory note and deed of trust, payable to the City of Englewood - Housing Rehabilitation Fund, is the collateral. The Loan Program also signs an assignment of deed to the bank along with a one-year draw note that establishes a maximum 12-month term for the construction draws made on the homeowner's behalf. Upon completion of the construction, a term note is signed by the Loan Program to the bank setting up the 20-year maximum repayment term.

Payments will begin to the bank at the completion of the construction. The current loan limit is $125,000 for owner/occupied single-family residences and $25,000 per unit up to a maximum of four attached units for rental properties ($100,000 maximum loan). The Loan Program adds 1% to the City's borrowing rate to provide income to Fund 46 to offset the expenses of servicing the loans.

This partnership with the bank provides to the public more generous underwriting guidelines (e.g. lower interest rates for junior liens; a 20-yr term versus a standard 10 – 15 yr term for junior liens; 90% loan-to-value ratios for second mortgage liens versus a standard 75%- 80% loan-to-value second mortgage liens; the ability to apply for third or fourth mortgage lien when these lien positions are generally not allowed by the banking industry)

The underlying assigned loans are payable on a monthly basis to the responsible Bank (Vectra Bank or US Bank) according to the terms of the Loan Agreement. Payments are due to Vectra Bank by the 10th of each month and to US Bank by the 20th.

A major component of the success of the Housing Rehabilitation Loan Program has been the support from the banking community. The existing LOC agreement with US Bank expired in August 2010. An amendment to the original agreement has been approved by US Bank for a non-revolving annual advance of $250,000. The agreement requires a minimum balance be maintained in a special account equal to 5% of the aggregate outstanding principal balance of all underlying notes made under the agreement. Fund 46 has funded this account and is available to maintain the required balance in the future.

Currently five loan applications are pending approval until the Loan Agreement with US Bank is renewed by Council.