

HUMAN SERVICES/
ECONOMIC DEVELOPMENT
COMMITTEE



**HUMAN SERVICES/ECONOMIC
DEVELOPMENT COMMITTEE**

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HUMAN SERVICES/ECONOMIC DEVELOPMENT COMMITTEE

The Human Services and Economic Development Committee had the responsibility of reviewing all aspects of social services and economic development operations in the county, including:

Child Support Services	Redevelopment Agency
Department of Aging and Adult Services	Transitional Assistance Department
Economic Development Agency	Veterans Affairs Department
Housing and Community Development	Workforce Development
Human Services Group Administration	Cities/Municipalities
Performance, Education and Resources Centers	School/Community College Districts
Preschool Services	Special Districts
Public Guardian/Public Administrator	

Areas of specific review undertaken by the Committee included the following:

- City of San Bernardino
- Conservatorship/Guardianship
- County Airports
- Department of Aging and Adult Services
- Foster Care
- HUD Dollar Homes Program
- In-Home Supportive Services
- Redevelopment Agency

The Human Services and Economic Development Committee submits reports on the following topics:

- HUD Dollar Homes Program
- Department of Aging and Adult Services (See Response
Accountability Section of Report)

During the course of the Grand Jury term the Human Services and Economic Development Committee had the Redevelopment Agency Subcommittee examine operation of the following Cities Redevelopment Agencies:

Chino	Ontario
Chino Hills	Rancho Cucamonga
Colton	Rialto
Fontana	San Bernardino
Montclair	Upland

CITY OF SAN BERNARDINO

ECONOMIC DEVELOPMENT AGENCY HUD DOLLAR HOMES PROGRAM

BACKGROUND

The Dollar Homes Program was initiated by the Housing and Urban Development Department (HUD), whereby local governments could purchase mortgages on foreclosed homes for just one dollar (\$1.00), have them refurbished and then resell them at a discounted price to qualified low income families. This program would allow HUD to clear its books of foreclosed homes and provide affordable housing for low income families within local communities. The City of San Bernardino (City) was one of these cities that took advantage of this program and the City's Economic Development Agency (EDA) purchased its first home on May 1, 2000. Eventually, 63 HUD properties were acquired by the agency and all were disposed of between 2000 and 2008. The City's participation in the program ended in March 2008.

On Sunday, April 12, 2009, the Los Angeles Times newspaper printed an article alleging the failure of this program as administered by the EDA. The article alleged there was no evidence of this program benefiting the people it was intended to and the housing contractors and investors were the only ones that were benefiting from it. It further claimed that homes were bought by companies or individuals who typically resold these homes at a much higher price and thereby, defeated the purpose of the program. It also noted that the City could not provide the newspaper with any accounting of what happened to the homes after they were sold.

The 2008 – 2009 Grand Jury began an investigation into these allegations during their term. However, due to time constraints, they were not able to complete it as planned and their only option was to include it in their Continuity Report. Based on their report and on the allegations of the Los Angeles Times article, this Grand Jury decided to continue to pursue this investigation and determine the validity of the allegations.

METHODOLOGY

All information gathered by the 2008 – 2009 Grand Jury was reviewed by committee members. Included in this review was the article in the Los Angeles Times and letters of inquiry sent to the City of San Bernardino asking for their response to a list of questions regarding their administration of this program. Based on the allegations of the Los Angeles Times article, the City was asked to provide information regarding the program. The requested information was received by late September, 2009. In addition, HUD’s NOTICE H 00-7, which detailed the implementation of the “\$1 Home Sales to Local Governments Program”, was reviewed by committee members to become knowledgeable with the program’s scope and intent. The Director of the EDA was also interviewed to respond to the allegations and to answer questions derived after reviewing the report they had submitted.

FACTS

According to the City’s records and the San Bernardino County Recorder’s Office, the 63 homes acquired in the program were disposed of as follows:

Agency Retained	12
Transferred to San Bernardino Schools	4
Sold to Eligible Home Buyers	44
Sold to Non-Profit Agencies	3
TOTAL	63

The 44 homes were sold to a pre-approved list of developers/contractors to rehabilitate or reconstruct to the EDA’s rehabilitation/reconstruction guidelines. Once the home was sold to an eligible home buyer, the contractor needed to confirm that once their initial investment was recouped, the home was not priced out of the intended homebuyers’ price range. In addition, the negotiated profit on each property sold was not to exceed 10% of the total development cost. Initial investment by the contractor

included acquisition, rehabilitation, holding and marketing costs that were all part of the costs that had to be recouped from the final sale of the home. A Grant Deed and a Use and Occupancy Conditions Covenant and Restrictions Document was recorded against each property which served to compel the current buyer, as well as any future buyers of the property, that it remain affordable to targeted households for a specified period of time.

FINDINGS

1. The EDA failed to monitor and enforce the affordability covenants as homes were sold or resold. There was little oversight of covenants during subsequent turnovers of home sales and few homes, (3 of 63), were bought by non-profit organizations within the city.
2. The EDA had no data base or process to track the Dollar Homes Program.
3. The EDA exercised limited oversight or vetting of future homebuyers. No first time homebuyer education or training was provided to program participants to the extent they were not low-income to moderate-income homebuyers seeking EDA Financial Assistance.

RECOMMENDATIONS

- 10-15 Establish a data base which will track the critical program information for each home and a process for monitoring subsequent home sales.
- 10-16 Include a detailed covenant history within the data base while filing with the County Recorder a “Notice of Affordability Covenant” on each property.

- 10-17 Assure that all EDA partners are well versed in HUD or other program requirements.
- 10-18 Institute an in-house program or engage an outside vendor to provide vetting and homeownership responsibility education for first-time homebuyers.

COMMENDATION

The EDA has already taken steps to implement a number of the above-mentioned recommendations. EDA now keeps a detailed data base to track the sale and resale of Dollar Homes, as well as all covenant agreements. An outside agency has also been contracted to assist with monitoring, marketing and reviewing all sales agreements to qualified buyers.

The Grand Jury commends EDA personnel for the time and effort they spent in complying with this committee’s requests. Upon review of all the facts provided by EDA and after conducting interviews with EDA personnel, it is obvious that EDA has taken corrective action to address implementation and oversight deficiencies in affordable housing projects, such as the HUD’s Dollar Home Program. These types of projects provide for the betterment of cities, such as the City of San Bernardino, and they can only be successful when they are administered as they are intended.

<u>RESPONDING AGENCY</u>	<u>RECOMMENDATIONS</u>	<u>DATE</u>
City of San Bernardino Economic Development Agency	10-15 through 10-18	09-30-2010