**REPORT FROM**

# OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 3, 2007

CAO File No. 0220-00540-0786
Council File No. 99-2165
Council District: 8, 9, and 15

To: The Mayor
The Council

From: Karen L. Sisson, City Administrative Officer

Reference: Los Angeles Housing Department Transmittal dated July 24, 2007; Received by the City Administrative Officer on July 26, 2007

Subject: **REQUEST FOR ADDITIONAL FUNDING AND REVISED LOAN TERMS FOR HABITAT-FOR-HUMANITY HOMEOWNERSHIP PROJECTS FOR LOW-INCOME HOUSEHOLDS**

## SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to increase funding by $2 million in HOME Investment Partnership (HOME) monies for 30 low-income homeownership units, which Habitat-for-Humanity (HFH) volunteers will complete as part of the 2007 Jimmy Carter Work Project (JCWP). The LAHD also requests approval of modified repayment terms for its purchase assistance loans, which are available to low-income households purchasing previously completed HFH homeownership projects.

The JCWP is an annual event sponsored by former President Jimmy Carter and HFH International, which brings together thousands of volunteers from around the world to build housing for low-income families. The 2007 JCWP event will be held in Los Angeles on October 28, 2007 through November 2, 2007.

The projects selected for the JCWP event have previously received a total of $700,000 in HOME monies. The requested $2 million in additional project funding is needed to offset increased construction costs. Following completion of the projects, the JCWP homes will be sold at market rates to low-income households earning at or below 50 percent of the Area Median Income (AMI) levels established by the U.S. Department of Housing and Urban Development. In all subsequent purchasing rounds, households earning at or below 80 percent AMI will qualify to purchase the JCWP units. The low-income affordability restrictions for the JCWP projects summarized below will remain in effect for 30 years:

| Project Title/Address | Unit Composition | Previous LAHD Funding | Proposed Additional Funding | Total Revised Award |
|---|---|---|---|---|
| **Vermont Villas** 11120-11130 South Vermont Avenue (CD15) | 14 units (one eight-unit building and two triplexes). | $700,000 | $ 560,000 | $1,260,000 |
| **Harborside Terrace** 308-338 North Palos Verdes Street (CD15) | 16 units (eight duplexes) | - | 1,440,000 | 1,440,000 |
| **TOTALS** | **30 units** | **$700,000** | **$2,000,000** | **$2,700,000** |
| Note: AMI levels by household size and annual incomes are provided in the report attachment. | | | | |

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At the completion of the homeownership projects, the HFH project loans will be restructured as part of the homebuyers' mortgage loans. The conventional first mortgage loans will be equal to the construction costs incurred by HFH for each home unit. The purchase assistance loans issued by LAHD contain no monthly payments and a 10 percent shared appreciation component. The amount of the LAHD purchase assistance loans is equal to the home market value less the borrower's down payment and the first mortgage loan. Repayment of the purchase assistance loans begins immediately following repayment of the first mortgage loans or upon transfer of homeownership.

LAHD reports that nine HFH homeownership projects first authorized in 2003 by City Ordinance No. 175141, are now ready for sale to low-income households earning at or below 50 percent AMI. However, due to escalating home market values during the construction period for these units, the purchase assistance loans repayable to LAHD have increased to a level well above the original finance structure developed for these projects. As a way of offering these properties to low-income households at affordable levels, LAHD requests approval to modify the repayment terms for its purchase assistance loans to be due upon transfer of ownership, including property sale or death of original owner(s). This waives the policy provision of first mortgage repayment as a trigger for repayment of the City's purchase assistance loan, which we believe is a Council policy matter. If approved, the modified repayment terms would apply to the following properties:

- 10315 South Main Street, Los Angeles 90003
- 1500/1504 East 21st Street, Los Angeles 90011
- 1775 Santa Ana Boulevard, Los Angeles 90002
- 434/440 West 112th Street, Los Angeles 90061
- 1829/1831 105th Street, Los Angeles 90002
- 10507 Hickory Street, Los Angeles 90002

Adoption of the report recommendations will have no impact on the General Fund. The report recommendations comply with City Financial Policies in that the cost for completing the JCWP homeownership projects will be fully offset by the requested $2 million in additional HOME funds.

**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Determine a policy decision relative to modifying the repayment of purchase assistance loans available to low-income households purchasing the nine Habitat-for-Humanity projects listed below, wherein the Los Angeles Housing Department (LAHD) is authorized to amend said terms so that repayment is due upon transfer of ownership by the original homebuyer(s), including property sale or death of owner(s):

    - 10315 South Main Street, Los Angeles 90003
    - 1500/1504 East 21st Street, Los Angeles 90011
    - 1775 Santa Ana Boulevard, Los Angeles 90002
    - 434/440 West 112th Street, Los Angeles 90061
    - 1829/1831 105th Street, Los Angeles 90002
    - 10507 Hickory Street, Los Angeles 90002

2. Authorize the General Manager, LAHD, or designee(s) to:

   a. Commit up to $1,440,000 in HOME Investment Partnership (HOME) funds for project-related costs incurred since March 1, 2007 for the Harborside Terrace project;

   b. Commit up to $560,000 in HOME funds for project-related costs incurred for the Vermont Villas since March 1, 2007;

   c. Prepare Controller accounting instructions and make any technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

3. Authorize the Controller to expend funds for the Harborside Terrace and Vermont Villas projects , in an amount not to exceed $2,000,000 from the HOME Investment Partnership Fund No. 561, Department 43, upon proper written demand by the LAHD, as follows:

| Account No. | Account Title | Amount |
|---|---|---|
| C223 | Homeownership Assistance – Regular | $2,000,000 |

**FISCAL IMPACT**

There is no impact on the City's General Fund. The recommendations of this report are in compliance with City Financial Policies in that the cost for completing the homeownership units selected for the 2007 Jimmy Carter Work Project is fully funded by $2 million in HOME Investment Partnership funds.

*KLS:MGR:02080028*

Attachment

**ATTACHMENT**

***2007 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT***
***AREA MEDIAN INCOME LEVELS BY INCOME AND HOUSEHOLD SIZE***

## VERY LOW INCOME PROGRAM – 50 percent AMI

| HOUSEHOLD SIZE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Up to 50 percent of AMI | $25,900 | $29,600 | $33,300 | $37,000 | $39,950 | $42,900 | $45,900 | $48,850 |

## LOW INCOME PROGRAM – 80 percent AMI

| HOUSEHOLD SIZE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Up to 80 percent of AMI | $41,450 | $47,350 | $53,300 | $59,200 | $63,950 | $68,650 | $73,400 | $78,150 |