REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 8, 2007

CAO File No. 0220-00013-2090
Council File No. 06-2867
Council District: 3

To: The Mayor
The Council

From: Karen L. Sisson, Acting City Administrative Officer KLV

Reference: Transmittal from the Community Redevelopment Agency dated November 16, 2006; received by the City Administrative Officer on November 17, 2006

Subject: **AMEND CONTRACT WITH LOS ANGELES NEIGHBORHOOD HOUSING SERVICES, INC. BY $1,080,000**

SUMMARY

The Community Redevelopment Agency (Agency) requests authority to amend a contract with the Los Angeles Neighborhood Housing Services, Inc. (LANHS) by $1,080,000 from $2,240,000 to $3,320,000, and to amend the Agency's Fiscal Year 2006-07 Work Program and Budget to transfer $1,080,000 from Response to Housing Opportunities Work Objective (RP1990) to the First Time Homebuyers' Program Work Objective (RP1030). The amendment will fund $1 million in subordinate mortgage financing for eligible buyers within an area defined as two miles from the Reseda-Canoga Park Redevelopment Project Area (RCPRPA) boundaries under the Council District Three First Time Homebuyers' Program (Program). The balance of the funds ($80,000) will fund a new community beautification program in RCPRPA.

Since inception of the Program in 2003, the Agency states that ten low and moderate income households have purchased dwellings and two additional families are in escrow. Approval of the proposed actions will enable continuation and expansion of the Program. The Agency states that $1,000,000 in additional funding will allow for the purchase of homes by at least five families. Low and Moderate Income Housing Funds is the source of funds. These actions will not impact the General Fund. The City Financial Policies are not applicable.

The Agency is also requesting that Council adopt a Finding of Benefit Resolution to permit the use of $2 million in Reseda-Canoga Park Low and Moderate-Income Housing Trust Funds for the Program outside the boundaries of the RCPRPA. A Finding of Benefit Resolution for the use of $1 million outside of redevelopment area was previously adopted in April 2005 (C.F. 03-0269).

The Council has also approved the following relative to the Program (C.F. 03-0269):

- In March 2003, selected LANHS through a competitive process to implement the Program;

- In May 2004, amended the Program by increasing the: 1) Maximum silent second trust deed loan amount to $175,000 from $75,000; and, 2) Program funding to $1.24 million from $1.0 million;
- In April 2005, approved Program changes including the: 1) Agency share of appreciation upon resale, refinancing or transfer of title; 2) Down payment requirements; 3) Permission to use Agency funds for closing costs as long as the loan-to-value (LTV) ratio does not exceed 105 percent; and, 4) Definition of "single family dwelling"; and,
- In September 2005, amended the Program by increasing the maximum sale price for a single family home to $436,525 from $375,000.
- In November 2005, amended the Program funding from $1.24 million to $2.24 million.

The terms of the silent second trust deed loan require that the Agency share equally with the seller in any equity if the home is sold within the first year after purchase. For each year thereafter, up to year ten, of occupancy by the original purchaser, the Agency share of the equity will be reduced by five percent. The Agency states that the declining equity sharing arrangement is consistent with the intent of California Redevelopment Law which allows for an equity sharing arrangement that creates incentives for long term homeownership. After year ten, an interest rate of three percent per annum will be paid upon sale of the home. Principal is due and payable upon transfer of title or refinancing of the home as is the equity share or accrued interest.

A qualified buyer must provide a down payment based upon their income, as follows: 1) One percent for very low-income buyers; 2) Three percent for low-income buyers; and, 3) Five percent for moderate-income buyers. The current LTV ratio, when reflecting the down payment requirements, is 99, 97 or 95 percent depending on the income category. The LTV will not exceed 105 percent to allow for coverage of closing costs (averages six percent of sales price). Agency funds will not be used for the down payment. In addition, buyers will execute and record a Promissory Note, which is secured by a second trust deed, and will record an agreement containing covenants on the unit.

Community Pride Program

The Agency is proposing a new program to be administered by the LANHS to upgrade the appearance of the area's residential neighborhoods. The proposed funds of $80,000 will be earmarked to implement two Community Pride Days, one in Canoga Park and one in Reseda. During the Community Pride Days, a number of services and items will be provided free of charge including paint, landscaping elements, minor exterior repairs and technical assistance. It is estimated that services for each dwelling would cost $8,000, depending on the size of the home and the preparatory work needed, for a maximum of ten dwellings.

Functions to be performed by LANHS include outreach and homeowner counseling, preparation of dwellings for paint, event organizing and volunteer recruitment, securing permits for street closures, executing agreements with participating homeowners, providing insurance for the contractors and any volunteers. The Los Angeles Conservation Corps will be asked to participate for the purpose of planting trees in the yards of homes to be improved.

LANHS is a nonprofit corporation involved exclusively in homeownership programs for low and moderate-income buyers. The Program offers eligible households the opportunity to purchase a single family home or condominium in the Reseda, Canoga Park or Winnetka community.

This Office concurs with the Agency recommendations to amend the LANHS contract to $3.32 million and to adopt a Finding of Benefit Resolution to allow the Agency to use up to $2.0 million outside the RCPRPA boundaries.

RECOMMENDATIONS

That the Council:

1. Authorize the Community Redevelopment Agency (Agency) Acting Chief Executive Officer, or designee, to execute a second amendment to Contract No. 520523 with the Los Angeles Neighborhood Housing Services, Inc. and increase the amount by $1,080,000 from $2.24 million to $3.32 million to provide $1 million to the Council District Three First Time Homebuyers' Program and $80,000 to implement a new Community Pride Program, subject to the review and approval of the City Attorney as to form;

2. Adopt the Finding of Benefits Resolution (Attachment) to allow the Agency to use up to $2.0 million in the Reseda-Canoga Park Low and Moderate-Income Housing Trust Funds outside the boundaries of the Reseda-Canoga Park Redevelopment Project Area; and,

3. Amend the Agency's Fiscal Year 2006-07 Work Program and Budget to transfer $1,080,000 from the Response to Housing Opportunities Work Objective (RP1990) to the First Time Homebuyers' Program Work Objective (RP1030).

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The Community Redevelopment Agency (Agency) is only bound by the City Debt Management Policies; the City Financial Policies are not applicable to the Agency. Approval of the recommendations will result in the expenditure of $1,080,000 of Reseda-Canoga Park Redevelopment Project Area Low and Moderate Income Housing Funds for the Council District Three First Time Homebuyers' Program.

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