REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date:	June 9, 2008	CAO File Nos.	0220-00013-2176
		Council File No.	06-2867
		Council District:	3

To: The Council
The Mayor

From: Raymond P. Ciranna, Acting City Administrative Officer RPC

Reference: Community Redevelopment Agency Transmittal dated April 17, 2008; Received by the City Administrative Officer on April 23, 2008

Subject: **VARIOUS ACTIONS RELATED TO THE COUNCIL DISTRICT THREE FIRST TIME HOMEBUYERS' PROGRAM**

SUMMARY

The Community Redevelopment Agency (Agency) requests:

1. Authority to execute the Fourth Amendment to Agency Contract No. 520523 with Los Angeles Neighborhood Housing Services, Inc. (LANHS) and increase compensation by $2 million, from $3.32 million to an amount not to exceed $5.32 million, and to extend the term for an additional one-year period, from July 1, 2008 to June 30, 2009, for the continuation and expansion of the Council District Three First Time Homebuyers' Program (Program); and,
2. Adoption of a Joint Finding of Benefit (FOB) Resolution (Attachment A) by the Agency Board of Commissioners and the Council to expend up to an additional $2 million of Reseda-Canoga Park Low and Moderate Income Housing Trust Funds outside the boundaries of the Reseda-Canoga Park Redevelopment Project Area (RCPRPA).

The Agency states that the funds will be utilized to administer the Program and provide subordinate mortgage financing to eligible low and moderate income buyers to purchase homes within the area defined in Attachment A of the Agency transmittal. Since the Program's inception in 2003, the total amount authorized and spent to date is $3.2 million, which has resulted in home buying opportunities to a total of 17 households. Three amendments to the Agency Contract No. 520523 with LANHS have been approved by Council in May 2004, November 2005 and January 2007 to extend the term and increase compensation (C.F. 03-0269 & 06-2867). Council also approved amendments to the Program's parameters in April and September 2005 (C.F. 03-0269). Attachment B provides a description of the entire Program history.

If the proposed amendment is approved, the $2 million increase in funding will enable the continuation and expansion of the Program to allow participation for approximately 11 additional households within a one-year period.

The FOB Resolution (Attachment A) will: 1) find that the use of RCPRPA Low and Moderate-Income

Housing Trust Funds for the Program is of benefit to the RCPRPA, pursuant to the State Redevelopment Law Health and Safety Code Section 33334.2(g)(1); 2) clarify the boundaries within which the funds may be spent (Roscoe Boulevard on the north, Louise Avenue on the east, Victory Boulevard on the south and Shoup Avenue on the west); and, 3) supplement the previously adopted resolution in April 2005 and authorize the use of an additional $2 million, for a total of up to $5.32 million in housing funds, for the Program outside the RCPRPA boundaries (C.F. 03-0269). The Agency states that allowing homebuyers to participate outside the RCPRPA boundaries have had successful results in locating single family homes and condominiums for purchase.

Program Eligibility

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 10 years 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 the tenth year, 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 loan-to-value (LTV) ratio, when reflecting the down payment requirements, is 99, 97 or 95 percent depending on the income category. The LTV ratio 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.

The Agency definition of "single family dwelling" was modified to include properties with one to four units pursuant to the definition used by the U.S. Department of Housing and Urban Development. If such property is purchased using Program financing, one of the units must be owner-occupied and the other unit(s) must be rented to eligible households, at an affordable rent, for the term of the covenant (i.e., 55 years for the rental units).

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 communities.

The City's Financial Policies are not applicable to the Agency. The Agency is only bound by the disclosure provisions of the City's Debt Management Policies.

RECOMMENDATIONS

That the Council:

1. Authorize the Community Redevelopment Agency (Agency) Chief Executive Officer, or designee, to execute a Fourth Amendment to Contract No. 520523 with the Los Angeles

Neighborhood Housing Services, Inc. and increase compensation by $2 million, from $3.32 million to a total contract amount not to exceed $5.32 million, for the Council District Three First Time Homebuyers' Program and extend its time of performance for a one-year period, from July 1, 2008 to June 30, 2009, subject to the review of the Department of Public Works, Bureau of Contract Administration for compliance with Agency contracting requirements and City Attorney as to form; and,

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

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The City's Financial Policies are not applicable to the Community Redevelopment Agency (Agency). The Agency is only bound by the disclosure provisions of the City's Debt Management Policies. Approval of the recommendations will provide $2 million of Reseda-Canoga Park Low and Moderate Income Housing Trust Funds to continue and expand the Council District Three First Time Homebuyers' Program.

RPC:ZH:02080247c

Attachments

Attachment A

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES. CA

RESOLUTION NO._______

A JOINT RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA FINDING THAT THE USE OF EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR PORTIONS OF COUNCIL DISTRICT 3 LOW AND MODERATE INCOME HOUSING FUNDS FOR THE COUNCIL DISTRICT 3 FIRST TIME HOMEBUYERS' PROGRAM WILL BE OF BENEFIT TO THE EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR PORTIONS OF COUNCIL DISTRICT 3

WHEREAS, The Community Redevelopment Agency of the City of Los Angeles, California (the ``CRA/LA'') has established the Earthquake Disaster Assistance Project for Portions of Council District 3 (Reseda-Canoga Park) Housing Fund and has deposited therein tax increment revenues received by the CRA/LA from the Earthquake Disaster Assistance Project for Portions of Council District 3 (the ``Reseda-Canoga Park Project'') to be used for the purposes of improving, increasing and preserving the community's supply of low- and moderate-income housing available at affordable housing cost, pursuant to Section 33334.2 of the California

Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*); and

WHEREAS, Health and Safety Code Section 33334.2(g)(1) provides that the CRA/LA may use such Housing Funds outside of the Reseda-Canoga Park Project Area if a finding is made by resolution of the CRA/LA and the City Council that such use will be of benefit to the Reseda-Canoga Park Project; and

WHEREAS, pursuant to Health and Safety Code Section 33334.6, the California Legislature has found and declared that the provision and improvement of affordable housing as provided by Section 33334.2 outside of a redevelopment project area can be of benefit to the project area; and

WHEREAS, one of the purposes of the Reseda-Canoga Park Project is to increase homeownership opportunities available to low- and moderate-income families or persons; and

WHEREAS, the CRA/LA has established the Council District 3 First Time Homebuyers Program for the purpose of increasing homeownership opportunities for eligible low- and moderate-income families and persons; and

WHEREAS, it has been demonstrated that there is an inadequate supply of affordable single family dwelling units within the Reseda-Canoga Park Project; and

WHEREAS, it is necessary to increase the supply of affordable single family dwelling units in order to effectively implement the Council District 3 First Time Homebuyers' Program; and

WHEREAS, the CRA/LA and the City Council adopted a Joint Resolution finding it of benefit to use up to $1,000,000 of Reseda-Canoga Park Project Housing Funds outside the boundaries of the Project Area for the purpose of increasing homeownership opportunities on March 17, 2005, April 20, 2005.

WHEREAS, the CRA/LA and City Council adopted a Joint Resolution finding it of benefit to use up to $1,000,000 of Reseda-Canoga Park Project Housing Funds outside the boundaries of the Project Area for the purpose of increasing homeownership opportunities on November 15, 2006

WHEREAS, additional funding, in an amount not to exceed $2,000,000 of Reseda-Canoga Park Project Housing Funds, is necessary to continue implementation of the Council District 3 First Time Homebuyers' Program.

NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA DO HEREBY RESOLVE AS FOLLOWS:

1. The CRA/LA and the City Council hereby find, determine and resolve that the use of up to $2,000,000 of Reseda-Canoga Park Project Housing Funds outside of the Reseda-Canoga Park Project Area is necessary to meet the purpose of increasing homeownership opportunities for eligible low- and moderate- income families and persons and is therefore of benefit to the Reseda-Canoga Park Project. The boundaries within which these Funds may be used are defined by Roscoe Boulevard on the north, Louise Avenue on the east, Victory Boulevard on the south, and Shoup Avenue on the west.

PASSED AND ADOPTED THIS_____DAY OF ___________, 2008

I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles, California, at its regular meeting held _______________DAY OF ________, 2008

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles on this___ day of ____________, 2008

Karen E. Kalfayan, City Clerk

By:______________________________

Deputy

Council District Three First Time Homebuyers' Program (Program) History
Including Amendment History to Agency Contract No. 520523
With Los Angeles Neighborhood Housing Services, Inc. (LANHS)

	Program Milestone	**Contract with LANHS**	**Amount**
March 2003	Program is administered by LANHS, which was selected through a competitive process. Compensation to LANHS is at $1 million.	Original Execution	$ 1,000,000
May 2004	• Maximum eligibility for silent second trust deed was increased to loan amount of $175,000, from $75,000; and, • Compensation to LANHS was increased to $1.24 million, from $1 million.	First Amendment	240,000
April 2005	Program parameters were changed to include: • Agency's share of appreciation upon resale, refinancing or transfer of title; • Down payment requirements; • Permission to use Agency funds for closing costs with loan-to-value ratio restriction to not exceed 105 percent; and, • Definition of *single family dwelling*.	---	---
September 2005	Maximum eligible sale price for a single family dwelling increased to $436,525, from $375,000.	---	---
November 2005	Compensation to LANHS was increased to $2.24 million, from $1.24 million.	Second Amendment	1,000,000
January 2007	Compensation to LANHS was increased to $3.32 million.	Third Amendment	1,080,000
(Proposed)	Compensation to LANHS is proposed to increase to $5.32 million.	Fourth Amendment	2,000,000
		TOTAL	**$ 5,320,000**