

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 6/29/2018

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

**ERIC GARCEITI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

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June 25, 2018

Council File: New  
Citywide  
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The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 300, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO UTILIZE ADDITIONAL FORECLOSURE REGISTRY PROGRAM (FRP) PENALTY FEES FOR THE MODERATE INCOME PURCHASE ASSISTANCE (MIPA) HOMEOWNERSHIP PROGRAM**

**SUMMARY**

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA requests authority to utilize an additional allocation of \$2,316,042 in penalty fees from the Foreclosure Registry Program (FRP) to continue the City's Moderate Income Purchase Assistance (MIPA) Homeownership Program. The MIPA Program provides purchase assistance to first-time, moderate-income homebuyers to purchase homes and expand workforce housing opportunities in the City of Los Angeles.

**RECOMMENDATION**

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- I. Authorize the General Manager, of HCIDLA, or designee, to utilize up to \$2,316,042 of penalty fees received from the Foreclosure Registry Program Fund. A total of \$2,000,000 will be utilized for the MIPA Program homebuyer loans and \$316,042 will be used to cover staff salaries, lease, General Administration and Support (GASP) costs, and other related program costs;

II. Authorize the City Controller to:

A. Increase appropriations within the Foreclosure Registry Program Fund 56V as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43N258	Moderate Income Purchase Assistance	\$ 2,000,000.00
43R143	Housing and Community Investment	209,050.00
43R299	Reimbursement of General Fund Costs	106,992.00

B. Increase appropriations in the following accounts in fiscal year 2018-19:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
100/43/001010	Salaries General	\$ 182,164.00
100/43/006030	Leasing	26,886.00

C. Expend funds upon proper written demand of the General Manager of HCIDLA, or designee.

D. Appropriate into account 43N259-MIPA Loan Repayment, within the Foreclosure Registry Program Fund 56V upon receipt of program income from loan repayments and shared appreciation.

III. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

**BACKGROUND**

Homeownership is an important part of building strong, stable, and economically vital communities in the City of Los Angeles. The continued investment in homeownership for first-time homebuyers is an essential component to the City's strategies for neighborhood revitalization, preservation, and protecting communities from blight, decline, and neglect. The improving economy, low mortgage interest rates, and low housing inventory has contributed to a steady rise in home prices in recent years, making it difficult for many families to enter the homeownership market and secure permanent affordable housing. Unfortunately, as home prices rise and tight home inventory continues, the current market has made it more challenging for Angelenos to reach their goal of homeownership, especially for first-time, low- and moderate-income homebuyers. Currently, the City's homeownership rate is one of the lowest in the nation at just 35.9% (Source: U.S. Census Bureau 2016 America Community Survey 1-Year Estimates). This is 28.3% less than the current overall national average of 64.2% (Source: U.S. Census Bureau, Residential Vacancies, and Homeownership Rate in the First Quarter 2018).

One of the biggest hurdles to attaining homeownership is the lack of funds for down payment, closing costs, and acquisition. Down payment and closing costs are a small portion of the overall purchase price, yet they are often the greatest barrier to homeownership for many credit worthy, hard-working Angelenos. While first-time homebuyers may have a steady job and income that would allow them to make monthly payments, they may not have the means to save for the upfront costs of purchasing a

home. Residents in the City of Los Angeles pay one of the highest rents in the country and are cost-burdened, which makes it increasingly difficult to save enough funds for down payment and closing costs.

Income restrictions imposed by federal funding sources that support programs for low-income homebuyers prevent moderate-income households from benefiting from homebuyer purchase assistance programs. To address this issue, in 2004, the City Council and the Mayor approved the Moderate Income Purchase Assistance (MIPA) Program to assist first-time, moderate-income homebuyers earning between 81% - 120% of the Area Median Income (AMI) in purchasing homes in the city. A primary goal of the MIPA Program is to provide workforce housing for moderate-income earners, such as teachers, medical personnel, entry level police officers, and other working professionals that have been priced out of the local housing market. In 2005, the City Council and Mayor authorized the expansion of the MIPA Program and increased the income limits to assist higher income households earning between 121% - 150% of AMI.

The 2018 moderate-income limits are as follows:

Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
<b>Mod 120 (81%-120% AMI)</b>	\$54,251 - \$81,400	\$62,001 - \$93,000	\$69,751 - \$104,650	\$77,501 - \$116,300	\$83,701- \$125,600	\$89,901 - \$134,900	\$96,101 - \$144,200	\$102,301- \$153,500
<b>Mod 150 (121%-150% AMI)</b>	\$81,401- \$101,750	\$93,001- \$116,300	\$104,651- \$130,800	\$116,301- \$145,350	\$125,601- \$157,000	\$134,901- \$168,600	\$144,201- \$180,250	\$153,501- \$191,850

The MIPA Program provides assistance in the form of a subordinate, deferred-payment loan to cover down payment, closing costs, and acquisition. The loans have a zero percent interest rate and are due upon sale, title transfer, first mortgage repayment, or as a balloon payment after 30 years. The loan contains a shared appreciation component provision based on the ratio of the loan amount to the purchase price of the home. Attachment A to this report summarizes the MIPA Program features and requirements.

The MIPA Program loan authority is up to \$75,000 for moderate-income households earning between 81%-120% of AMI, and up to \$50,000 for households earning between 120%-150% of AMI. When the MIPA Program was opened in 2005, HCIDLA received a very positive public response, and as a result was able to assist 306 families with purchase assistance loans totaling \$20,068,771 of Municipal Housing Finance Funds (MHFF) and General Funds (GF). Attachment B to this report contains a summary of the MIPA loans funded, by Council District, with those funds.

In 2017, HCIDLA received authority from the City Council and Mayor to reopen the MIPA Program with an allocation of \$2,728,700 of penalty fees received from the Foreclosure Registry Program (FRP). As such, the MIPA Program was opened in October 2017 and had to be temporarily closed in April 2018 when all of the funds were expended or committed. Although the MIPA Program allows for higher loan limits as described above, in the recent year, HCIDLA provided lower loan amounts of up to \$60,000 for homebuyers earning 81%-120% AMI, and up to \$35,000 for homebuyers earning 121% - 150% AMI, to assist a greater number of families. A total of 52 families were assisted with purchase assistance loans totaling \$2,726,610 of FRP penalty fees. Attachment C to this report contains a summary of the MIPA loans funded, by Council District, with the FRP penalty fees.



To market the MIPA Program, HCIDLA provides training sessions for lenders, real estate agents, and HUD approved housing counseling agencies throughout the year. On average, 80 real estate professionals attend each HCIDLA training session. HCIDLA also makes presentations to various realtor association groups, and markets the program to the public by participating in homebuyer fairs, workshops, town hall meetings, and other special events sponsored by City Council Offices and other organizations. Program information, including program flyers, made available in multiple languages, are disseminated to the public via City Council offices, City Libraries, Park and Recreation Centers, Family Source Centers, and at the HCIDLA Public Counters, which receive hundreds of visitors and renters throughout the year. Additionally, HCIDLA markets the programs through a network of real estate professionals and lenders who are dedicated to assisting eligible homebuyers find affordable homes in the City.

In order to continue providing workforce housing opportunities and assisting moderate-income homebuyers purchase homes in the City, HCIDLA is recommending that the MIPA Program be allocated an additional allocation of \$2,316,042 of penalty fees from the FRP. Of that amount, \$2,000,000 will be utilized for MIPA Program homebuyer loans and the remainder will be used to cover HCIDLA staff salaries, lease, GASP, and other related costs. HCIDLA estimates that the \$2,000,000 of FRP penalty monies will provide purchase assistance loans to at least 33 moderate-income families.

#### **FISCAL IMPACT STATEMENT**

There is no impact to the City's General Fund. The recommendations in this report will authorize HCIDLA to allocate additional penalty fees from the Foreclosure Registry Program for the MIPA Program.

#### **ATTACHMENTS:**

Attachment A – MIPA Program Description

Attachment B – MIPA Program Loans funded by CD with MHFF and GF

Attachment C – MIPA Program Loans funded by CD with FRP penalty fees

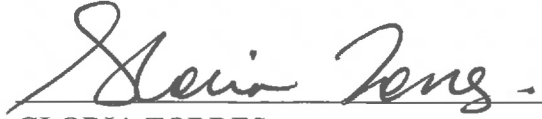
Prepared by:



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TIM DONIS  
Finance Development Officer I

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Finance Development Officer II

Reviewed by:



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HELMY A. HISSERICH  
Director of Housing

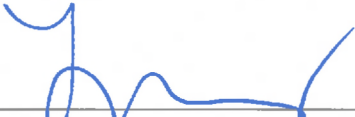
Reviewed by:



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SEAN L. SPEAR  
Assistant General Manager

Reviewed by:



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LAURA K. GUGLIELMO  
Executive Officer

Approved by:



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RUSHMORE D. CERVANTES  
General Manager

# Attachment A

## City of Los Angeles

### Moderate Income Purchase Assistance (MIPA) Program

The Moderate Income Purchase Assistance (MIPA) Program helps first-time, moderate -income homebuyers purchase homes in the City of Los Angeles by providing subordinate loans to cover the down payment, closing costs, and acquisition.

The City's homeownership program funds are leveraged with private mortgage financing and other assistance programs to achieve the maximum purchasing power for the homebuyer. The MIPA Program provides purchase assistance of up to \$60,000 for households earning between 81%-120% of Area Median Income (AMI), and up to \$35,000 for households earning between 121%-150% of AMI. MIPA loans have a zero percent interest rate and are due upon sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment. The loan contains a shared appreciation provision based on a ratio of the loan amount to the purchase price. Borrowers are required to pay the principal and the percentage share upon MIPA loan repayment.

The program features and requirements are detailed below:

#### Homebuyer Eligibility:

- First-time homebuyers who have not ownership interest in any real property in the past three years
- U.S. Citizens, Lawful Permanent Residents, or other Qualified Aliens
- Household income must be within program limits
- Minimum 1% downpayment from borrower's own funds
- Homebuyer must occupy home as their Primary Residence
- Completion of eight-hours of homebuyer education course from an approved education provider

#### MIPA Loan Features:

- Mod 120 loan up to \$60,000, and Mod 150 loan up to \$35,000
- 0% interest rate
- Deferred – requiring no monthly payments
- Shared appreciation provision in which the City will share a certain percentage of the appreciation in the value of the property
- Loan with shared appreciation is due on sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment

#### Property Eligibility:

- Home must be located in the City of Los Angeles
- Home must pass HCIDLA property inspection
- 1-unit, single-family homes including condominiums and townhouses
- No purchase price limit
- Properties cannot be tenant-occupied, unless the tenant is the prospective homebuyer

#### 2018 Maximum Income Limits

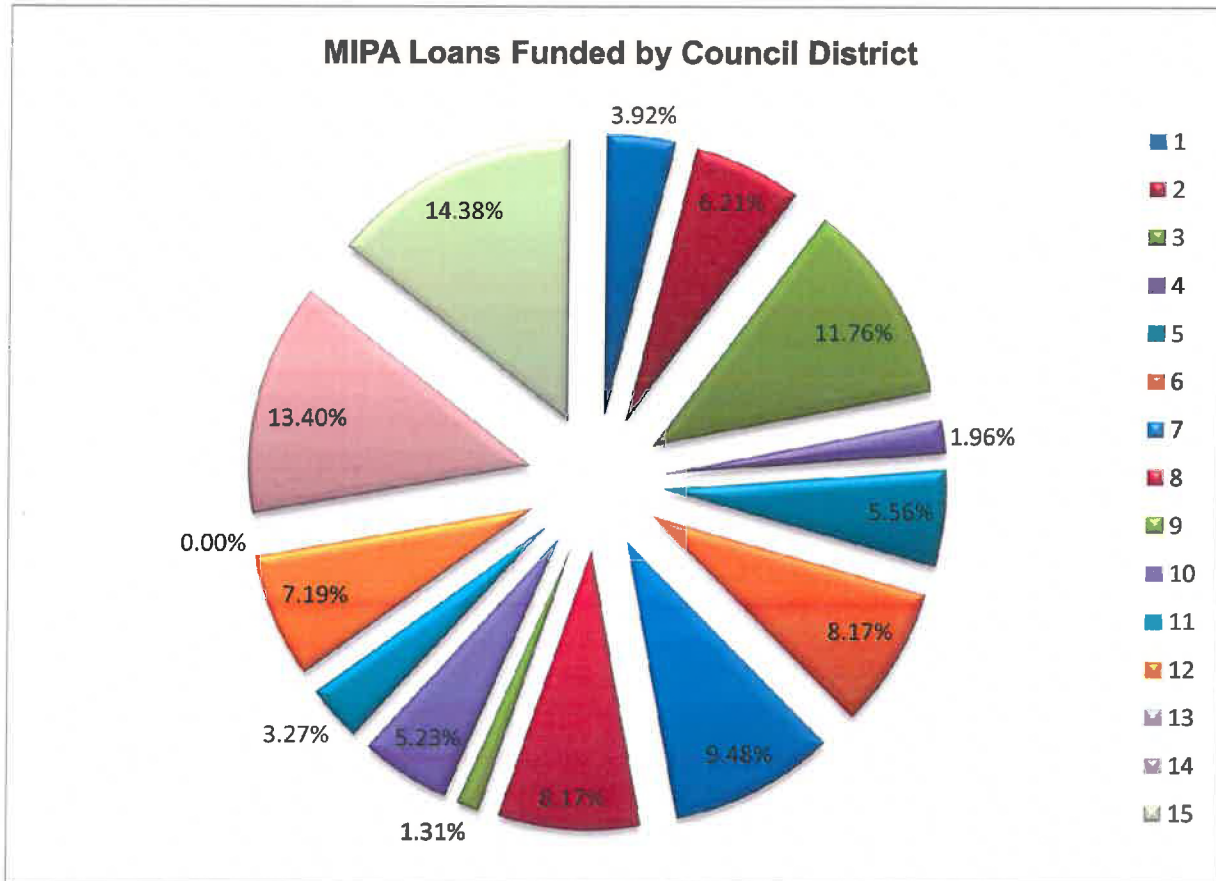
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## Attachment B

### Moderate Income Purchase Assistance (MIPA) Program Loans Funded with MHFF and GF by Council District August 17, 2005 - June 18, 2018\*

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Total Assistance Amount
1	12	3.92%	\$811,569	4.04%
2	19	6.21%	\$1,296,527	6.46%
3	36	11.76%	\$2,398,438	11.95%
4	6	1.96%	\$343,246	1.71%
5	17	5.56%	\$973,945	4.85%
6	25	8.17%	\$1,689,301	8.42%
7	29	9.48%	\$1,811,289	9.03%
8	25	8.17%	\$1,588,910	7.92%
9	4	1.31%	\$227,445	1.13%
10	16	5.23%	\$1,007,631	5.02%
11	10	3.27%	\$670,984	3.34%
12	22	7.19%	\$1,474,840	7.35%
13	0	0.00%	\$0	0.00%
14	41	13.40%	\$2,798,882	13.95%
15	44	14.38%	\$2,975,764	14.83%
<b>Total</b>	<b>306</b>	<b>100.00%</b>	<b>\$20,068,771</b>	<b>100.00%</b>

\* The vast majority of the loans were funded between the Fall of 2005 and the Fall of 2008.





## Attachment C

### Moderate Income Purchase Assistance (MIPA) Program Loans Funded with FRP Penalty Fees by Council District October 1, 2017 - June 18, 2018

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Total Assistance Amount
1	2	3.85%	\$88,258	3.24%
2	2	3.85%	\$114,457	4.20%
3	9	17.31%	\$465,733	17.08%
4	0	0.00%	\$0	0.00%
5	1	1.92%	\$59,006	2.16%
6	6	11.54%	\$324,671	11.91%
7	7	13.46%	\$368,997	13.53%
8	8	15.38%	\$400,916	14.70%
9	1	1.92%	\$33,408	1.23%
10	0	0.00%	\$0	0.00%
11	0	0.00%	\$0	0.00%
12	5	9.62%	\$297,814	10.92%
13	0	0.00%	\$0	0.00%
14	2	3.85%	\$91,567	3.36%
15	9	17.31%	\$481,783	17.67%
<b>Total</b>	<b>52</b>	<b>100.00%</b>	<b>\$2,726,610</b>	<b>100.00%</b>

