

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 1, 2014

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Council File No. 14-0852

Council District: Citywide

To: The Council
The Mayor

From: Miguel A. Santana, City Administrative Officer *RHS*

Reference: Transmittal from the Housing and Community Investment Department dated June 2, 2014; referred by the Mayor on June 20, 2014; received by the City Administrative Officer on June 23, 2014

Subject: **REQUEST TO REPROGRAM HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS FROM THE COMPREHENSIVE REHABILITATION LOAN PROGRAM TO THE HOMEOWNERSHIP PURCHASE ASSISTANCE LOAN PROGRAM**

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to reprogram \$2,558,760.28 in unexpended prior-year HOME Investment Partnerships Program (HOME) funds from the Comprehensive Rehabilitation Loan Program to the Homeownership Purchase Assistance Loan Program, also known as the Low Income Purchase Assistance Program (LIPA).

Since the HCID request would alter funding that was adopted in the Consolidated Plan, this Office recommends that HCID first solicit public comment for the proposed changes according to U.S. Department of Housing and Urban Development (HUD) regulations and then return to Council with a request to reprogram HOME funds that includes public input.

BACKGROUND

Comprehensive Rehabilitation Loan Program

The Comprehensive Rehabilitation Loan Program provided loans for rehabilitation and repairs to existing low-income homeowners of one-unit properties, owner-occupied owners of two- to four-unit properties, and owners of small rental properties with five to 28 units. Funding from this Program was provided by HOME funds. Unspent prior-year Program funds are available and, according to HCID, may be reprogrammed for the purposes identified in the June 2, 2014 transmittal. However, HUD regulations require a 30-day public input process before a substantial amendment to the Consolidated Plan is adopted.

Homeowner Purchase Assistance Loan Program / Low Income Purchase Assistance Program

The HCID has developed or participated in many programs to assist low-income families and individuals to purchase homes. The Homeowner Purchase Assistance Loan Program, also called LIPA, was designed by HCID and uses gap loans to address the most significant barrier to homeownership, namely the availability of funds for down payments, closing costs, and affordable mortgages. These 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. To qualify for LIPA, borrowers must be first-time low-income homebuyers whose household income is equal to or less than 80 percent of the local area median income as set by the U.S. Department of Housing and Urban Development (HUD). Funding for LIPA has come from HOME, the Community Development Block Grant (CDBG) and other federal and state sources.

The HCID works with realtors and banks to identify potential participants in LIPA. At this time, there are approximately 592 prequalified low-income homebuyers on the LIPA Program Interest List. The LIPA Program was temporarily closed in April 2014 due to lack of funding. However, with the requested prior-year HOME funds, the Program would be able to resume. The HCID states that the reprogrammed HOME funds would allow the LIPA program to reopen for nine to twelve months and would provide approximately 42 gap loans.

Neighborhood Stabilization Program

The City's Neighborhood Stabilization Program (NSP) is funded by a grant from HUD. To date, HUD has awarded the City three NSP grants, called NSP1, NSP2 and NSP3. The goal of the NSP is to address foreclosed and abandoned residential properties and to prevent neighborhood nuisances. Since 2009, the LAHD has contracted with RNLA, Inc., a non-profit, to purchase and rehabilitate foreclosed or abandoned single-family and multi-family housing properties. Once rehabilitated, the RNLA may sell the single-family properties to qualified homebuyers. To date, HCID has provided purchase assistance loans to 181 low- and moderate-income homebuyers through NSP. However, NSP is winding down. At this time, HCID reports that ten NSP homes are in escrow with four more to be sold. Once NSP has concluded, LIPA would be able to take over as the primary HCID program for low-income families and individuals to purchase homes, if the reprogramming of HOME funding is approved.

RECOMMENDATION

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

1. Authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:
 - a. Solicit public comment regarding the proposed reprogramming of \$2,558,760.28 in unexpended HOME Investment Partnerships Program (HOME) funds from the Comprehensive Rehabilitation Loan Program to the Homeownership Purchase Assistance Loan Program, also known as the Low Income Purchase Assistance

Program (LIPA), according to U.S. Department of Housing and Urban Development (HUD) regulations; and

- b. Report back to the Council and Mayor regarding the request to reprogram HOME funds with the inclusion of input from the public on this item.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Approval of the recommendation in this report would result in a report back from the Housing and Community Investment Department (HCID) regarding the request to reprogram \$2,448,760.28 in HOME Investment Partnerships Program (HOME) funds.

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