

# TRANSMITTAL

To:

**THE COUNCIL**

Date:

JUN 20 2014

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, Interim General Manager

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Council District: Citywide  
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June 2, 2014

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST TO RE-PROGRAM HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) FUNDS FROM THE COMPREHENSIVE REHABILITATION LOAN PROGRAM TO THE HOMEOWNERSHIP PURCHASE ASSISTANCE LOAN PROGRAM**

**SUMMARY**

The Los Angeles Housing and Community Investment Department (HCIDLA) is requesting authority to reprogram \$2,558,760.28 of unexpended prior years Home Investment Partnerships Program (HOME) funds from the Comprehensive Rehabilitation Loan Program to the Homeownership Purchase Assistance Loan Program, also known as Low Income Purchase Assistance Program (LIPA). The Comprehensive Rehabilitation Loan Program provided loans for rehabilitation and repairs to existing low-income homeowners of 1-unit properties, owner-occupied owners of 2-4 unit properties, and owners of small rental properties with 5-28 units.

The LIPA Homeownership Program provides purchase assistance loans to eligible low-income first-time homebuyers who purchase a home in the City of Los Angeles. The LIPA loan assists in covering the down payment, closing costs, and acquisition of the homebuyer's primary residence. The reprogramming of the \$2,558,760.28 will enable HCIDLA to continue providing homebuyer purchase assistance loans to at least 42 additional low-income families. As of April 2, 2014, the LIPA program was temporarily closed due to lack of funding.

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## RECOMMENDATIONS

HCIDLA's General Manager respectfully requests that:

- I. The Office of the Mayor schedule this transmittal for consideration at the next available meeting(s) of the appropriate City Council committee(s) and forward the transmittal to the City Council for review and approval immediately thereafter.
- II. The City Council, subject to the approval of the Mayor, take the following actions:
  - A. Authorize HCIDLA's General Manager or designee to:
    1. Use prior year HOME Investment Partnerships Program (HOME) Funds totaling \$2,558,760.28 for the Homeownership Purchase Assistance Loan Program.
    2. Prepare a substantial amendment to the Consolidated Plan to solicit public comment on the proposed changes.
  - B. Authorize the Controller to:
    1. Establish a new account 43K234 Homeownership Reprogrammed and appropriate \$2,558,760.28 within Fund No. 561/43 HOME Investment Partnerships Program.
    2. Transfer expenditures in the amount of \$327,041.00 from account 43C209 Single Family Rehab Program to 43K234 Homeownership Reprogrammed within Fund No. 561/43 HOME Investment Partnerships Program.
    3. Decrease appropriations within Fund No. 561/43 HOME Investment Partnerships Program as follows:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43R209	City Wide Rehabilitation	\$734,986.26
43S209	City Wide Rehabilitation	30,552.80
43V209	City Wide Rehabilitation	42,293.50
43W209	City Wide Rehabilitation	280,399.69
43Y209	City Wide Rehabilitation	119,722.61
43A209	City Wide Rehabilitation	104,522.76
43C209	Single Family Rehab Prog	<u>919,241.66</u>
	Total	\$2,231,719.28

4. Expend funds in an amount not to exceed \$2,558,760.28 upon proper demand of the General Manager of HCIDLA, or designee, for the Homeownership Purchase Assistance Loan Program.

C. Authorize the General Manager of HCIDLA, or designee, to prepare Controller's instructions and/or make any technical adjustments that may be required and are consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement the instructions.

III. The Mayor concur with the actions of the City Council.

### **BACKGROUND**

Homeownership is a vitally important element in stabilizing and sustaining neighborhoods and communities in Los Angeles. The continued promotion of and investment in homeownership is an essential component to the City's public policy goal and strategy for neighborhood revitalization and the preservation and protection of its communities from decline and neglect. Homeownership creates stakeholders who have a financial stake in their homes and neighborhoods. These stakeholders invest in their properties to beautify them, engage in civic duties, and positively contribute to their communities and neighborhoods. In many communities, it is the political strength of homeowners that support efforts to improve schools and provide higher-quality public services. Additionally, homeownership has a positive impact on the local economy. When a family purchases a home and they first move in, they generally spend a significant amount of money on furniture, appliances, hardware, and other home goods.

Current real estate market conditions such as historically low mortgage interest rates and continued demand for homeownership offer eligible low-income, first-time homebuyers a greater opportunity to purchase a home in the City of Los Angeles and achieve the American Dream of homeownership with the assistance of the City.

### **The Homeownership Purchase Assistance Loan Program aka LIPA**

For many families, especially low income families, the biggest and most significant barrier to homeownership is lack of sufficient funds for down payment, closing costs, and an affordable mortgage. This barrier prevents creditworthy borrowers from entering the homeownership market. The LIPA Program was designed to address this barrier and assist these otherwise creditworthy borrowers. The LIPA Program is a citywide program that assists low-income, first-time buyers who have not had an ownership in any real property for the past three years. The LIPA program provides deferred subordinate gap loans to help low-income homebuyers cover the cost of the down payment, closing costs, and cost of acquisition of their primary residence. These loans have a zero percent interest and are due upon sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment. The loans contain a shared appreciation provision based on a ratio of the loan amount to the purchase price that the borrowers are required to pay upon LIPA loan repayment.

To qualify for the LIPA program, borrowers must be first-time low-income homebuyers whose total

household income is at 80% or less of the local area median income as set by the U.S. Department of Housing and Urban Development (HUD). The homebuyers must purchase a 1-unit property in the City of Los Angeles and occupy the property as their primary residence for the term of the loan. Additionally, homebuyers are required to contribute at least 1% of the purchase price for down payment from their own funds and attend a HCIDLA and HUD-approved homebuyer education class. The City's homeownership program funds are leveraged with private mortgage financing and other assistance programs for the greatest impact possible.

Although the LIPA loan limit authority is for up to \$90,000, HCIDLA currently provides low-income purchase assistance loans of up to \$60,000 per household. During the past seven program years ending on March 31, 2014, LIPA funded 489 loans for low-income families totaling \$39 million from various federal and state funding sources. HCIDLA has also provided purchase assistance loans to 180 low- and moderate-income homebuyers under the Neighborhood Stabilization Program (NSP) totaling \$8 million in NSP purchase assistance. The NSP is sun-setting and has met its primary program objectives. As of date, ten NSP homes are in escrow and only four more homes are left to be sold under the NSP.

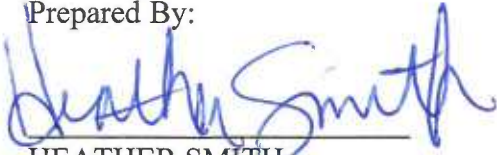
Over the years, HCIDLA has utilized various federal and state sources to fund the LIPA program, with the vast majority coming from the HOME and CDBG grant funds from HUD. Most recently, Los Angeles homebuyers were assisted with the LIPA Program utilizing the State of California CalHome Program grant funds and the NSP. As stated above, the City's NSP has largely exhausted all of its funds and sold the vast majority of the single family homes available under that program. The available CalHome grant funds are fully expended and no HOME and CDBG program funds have been allocated to the homeownership program for the last six years and three program years, respectively. No new federal funds were allocated to the LIPA program as part of this year's 40<sup>th</sup> Year Consolidated Plan program budget. It has become increasingly important that HCIDLA seek and reallocate new funds for the continuation of the LIPA program for the benefit of low-income families who need assistance to purchase homes in the City of Los Angeles.

Currently, there are approximately 592 pre-qualified, low-income homebuyers on the LIPA Program Interest List in need of LIPA funding to purchase homes in the city. The LIPA Program is extremely popular and successful and works with a dedicated network of lenders, realtors, and homebuyer educators that assist eligible buyers find and purchase affordable homes throughout the affordable areas of the city. The reprogramming of the subject HOME and CDBG funds will enable the LIPA program to re-open and allow the City to continue to provide homeownership purchase assistance to eligible low-income first-time homebuyers citywide. If new funds are not allocated or reprogrammed, the City will no longer have a loan program to assist low-income, first-time homebuyers purchase homes in the city.

### **Fiscal Impact Statement**

There will be no impact on the City's General Fund.

Prepared By:



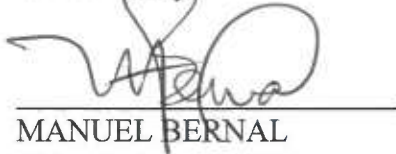
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Approved By:



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Interim General Manager

## REPROGRAM HOME TRANSMITTAL TIMELINE

HCIDLA release date to Mayor's Office	June 2, 2014
Projected HCED date	June 25, 2014
Projected Council date	July 2, 2014
Mayor's Concurrence needed by	July 14, 2014