

TRANSMITTAL

To:

THE COUNCIL

Date: 11/22/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
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November 20, 2017

Council File: NEW
Council Districts: 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: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY TO APPLY FOR AND ACCEPT A COMMUNITY REINVESTMENT ACT GRANT FROM ONEWEST BANK, A DIVISION OF CIT BANK, N.A., FOR THE CITY'S LOW INCOME PURCHASE ASSISTANCE HOMEOWNERSHIP PROGRAM

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) requests authority to apply for and accept a Community Reinvestment Act (CRA) Grant in the amount of \$400,000 from OneWest Bank, a division of CIT Bank, N.A. HCIDLA is proposing to leverage the CRA grant funds with HCIDLA's Low Income Purchase Assistance (LIPA) Homeownership Program funds. The LIPA Program provides purchase assistance to first-time, low-income homebuyers who purchase a home in the City of Los Angeles. The assistance will come in the form of a deferred-payment soft second loan to be used toward acquisition gap financing, the lender-required down payment, and closing costs. In combination with HCIDLA's LIPA Program funds, the CRA grant funds will assist approximately 27 low-income families. Approval of the recommendations in this transmittal will authorize HCIDLA to accept and expend the CRA grant funds via HCIDLA's LIPA Program. The grant application is due to OneWest Bank by December 8, 2017. Therefore it is requested that this matter be scheduled for consideration and approval by the City Council and Mayor as soon as possible.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it 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 the General Manager of HCIDLA, or designee, to submit an application for a Community Reinvestment Act Grant to OneWest Bank, a division of CIT Bank, N.A., and if awarded, accept the grant funds.
 - B. Authorize the General Manager of HCIDLA, or designee, to enter into negotiations with OneWest Bank, a division of CIT Bank, N.A., should HCIDLA be successful in its Community Reinvestment Act Grant application, in order to finalize the proposed accomplishments for the grant agreement.
 - C. Authorize the General Manager of HCIDLA, to execute, on behalf of the City of Los Angeles, all relevant applications, documents, grant agreements, and amendments thereto, to implement and carry out the Community Reinvestment Act Grant application package.
 - D. Authorize the General Manager of HCIDLA, or designee, to expend the Community Reinvestment Act Grant funds via HCIDLA's LIPA Homeownership Program.
 - E. Authorize the City Controller to:
 1. Establish the following accounts within the LAHD Small Grants & Awards Fund No. 49N:

<u>Account No.</u>	<u>Account Name</u>
43P647	LIPA- OneWest Bank Grant
43P648	LIPA- OneWest Bank Loan Repayment
 2. Appropriate up to \$400,000 into Account 43P647 LIPA- OneWest Bank Grant upon receipt of the Community Reinvestment Act Grant funds from OneWest Bank.
 3. Appropriate into Account 43P648 LIPA- OneWest Bank Loan Repayment upon receipt of program income from loan repayments and shared appreciation.
 4. Expend funds from the above accounts upon proper written demand of the HCIDLA General Manager, or designee.
 - F. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any technical adjustments, consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and instruct the Controller to implement the instructions.

BACKGROUND

HCIDLA's Homeownership Unit currently administers three programs designed to assist first-time, low- and moderate-income homebuyers to purchase a home, and secure permanent housing in the City of Los Angeles. HCIDLA's programs assist eligible homebuyers with purchase assistance in the form of subordinate "soft second" loans, for down payment, closing costs, and acquisition gap financing. HCIDLA currently utilizes federal HOME Investment Partnerships Program (HOME) funds, Community Development Block Grant (CDBG) funds, and penalty fees from the Foreclosure Registry Program to fund the soft second loans. Additional financial support comes from the California Debt Limit Allocation Committee's (CDLAC) Single Family Home Mortgage Revenue Bond allocation for HCIDLA's Mortgage Credit Certificate (MCC) Program. The MCC Program provides a federal income tax credit, enabling the homebuyer to qualify for a higher first mortgage, which in turn increases their purchasing power.

The homebuyer programs represent an essential component of the City's strategy to address neighborhood revitalization, job creation, community preservation, and protection from blight, decline, and property neglect, and serves to increase the homeownership rate in the City. Interested homebuyers apply for program funds through HCIDLA's qualified participating lenders, and obtain homebuyer education provided by United States Department of Housing and Urban Development (HUD) and HCIDLA-approved housing counseling agencies.

To market the homeownership program, HCIDLA engages in various marketing and outreach activities throughout the year; staff make presentations, provides training sessions to lenders, realtors, non-profit educational providers, and to the public by participating in homebuyer fairs, workshops, town hall meetings and other important community events. Staff also make homeownership information available through HCIDLA's website. Printed program information is made available in both English and Spanish, and is disseminated to the public via City Council offices, City Libraries, Parks and Recreational Centers, Family Source Centers, HCIDLA's Public Counters, and through a vast network of Los Angeles' real estate professionals and lenders. Department outreach in combination with various training opportunities, and support from real estate professionals, provides hundreds of residents each year with multiple ways to obtain first-time low- and moderate-income homebuyer program information.

ONEWEST BANK COMMUNITY REINVESTMENT ACT GRANT

The Community Reinvestment Act (CRA) was enacted by the United States Congress in 1977, and is intended to encourage depository institutions to help meet the credit needs of communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. OneWest Bank, a division of CIT Bank, N.A., headquartered in Pasadena, California, provides grants to non-profit organizations and governmental agencies that provide community development activities for low- or moderate-income individuals. OneWest Bank identifies community development activities as affordable housing, essential community services, economic development, and activities that revitalize or stabilize low- or moderate-income areas, distressed or underserved middle-income geographies. OneWest Bank's goal is to provide grants aligned to their CRA Plan goals and objectives.

LOW INCOME PURCHASE ASSISTANCE (LIPA) PROGRAM

In order to stretch HCIDLA’s homebuyer program funds, and assist more low-income homebuyers to purchase homes in the City, HCIDLA proposes to leverage the CRA Grant funds with the LIPA Program funds. The LIPA Program provides eligible low-income, first-time homebuyers with purchase assistance in the form of a subordinate, deferred-payment loan to cover down payment, closing costs, and acquisition gap financing. The LIPA loan maximum is currently set at \$60,000, and assists households with incomes up to 80% of the Area Median Income (AMI). The LIPA loan carries zero interest; however, has a shared appreciation component which is a ratio of the City’s loan amount to the home purchase price. The loan with the shared appreciation amount is due upon sale of the home, title transfer, first mortgage repayment, or at the end of 30 years as a balloon payment. Attachment A to this report provides a full description of the LIPA Program features and requirements, and Attachment B provides a summary of the LIPA Program loans funded by Council District, covering the last five program years.

The 2017 low-income limits, established by HUD, are as follows:

HUD 2017 Low-income Limits								
Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
Annual Household Income Limit	\$50,500 or less	\$57,700 or less	\$64,900 or less	\$72,100 or less	\$77,900 or less	\$83,650 or less	\$89,450 or less	\$95,200 or less

If awarded the CRA Grant funds in an amount of \$400,000, HCIDLA anticipates assisting approximately 27 low-income first-time homebuyer families. HCIDLA proposes utilizing the CRA Grant by combining up to \$45,000 in LIPA Program funds, with up to \$15,000 in CRA Grant funds per household, to equal a total LIPA loan amount of up to \$60,000.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to accept and expend CRA Grant funds for the LIPA Program.

Prepared by:




GLORIA TORRES
Finance Development Officer II

Reviewed by:



HELMY A. HISSERICH
Director of Housing

Reviewed by:



SEAN L. SPEAR
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Reviewed by:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS

Attachment A – LIPA Program Description

Attachment B – LIPA Program Funded by Council District

Attachment A

City of Los Angeles

Low Income Purchase Assistance Program (LIPA)

The Low Income Purchase Assistance Program (LIPA) helps first-time, low-income homebuyers purchase homes in the City of Los Angeles by providing 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 LIPA Program provides purchase assistance of up to \$60,000 for households earning up to 80% Area Median Income (AMI). LIPA 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 LIPA 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 primary residence
- Completion of eight-hours of homebuyer education course from an approved education provider

LIPA Loan Features:

- Loan up to \$60,000
- 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
- Home purchase price must be within current program limits:
 - Single Family Homes: \$498,750
 - Condominiums and Townhomes \$404,700

2017 Maximum Income Limits

Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
Annual Household Income Limit	\$50,500 or less	\$57,700 or less	\$64,900 or less	\$72,100 or less	\$77,900 or less	\$83,650 or less	\$89,450 or less	\$95,200 or less

Attachment B

Low Income Purchase Assistance (LIPA) Loans Funded by Council District April 1, 2012 - March 31, 2017 (Program Years 38-42)

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Assistance Amount
1	6	1.87%	\$277,377	1.58%
2	8	2.49%	\$450,000	2.56%
3	20	6.23%	\$1,086,753	6.18%
4	1	0.31%	\$60,000	0.34%
5	1	0.31%	\$30,000	0.17%
6	35	10.90%	\$1,930,296	10.97%
7	59	18.38%	\$3,462,680	19.68%
8	94	29.28%	\$5,218,808	29.65%
9	22	6.85%	\$1,109,195	6.30%
10	4	1.25%	\$231,071	1.31%
11	1	0.31%	\$60,000	0.34%
12	9	2.80%	\$503,700	2.86%
13	4	1.25%	\$221,384	1.26%
14	10	3.12%	\$590,543	3.36%
15	47	14.64%	\$2,367,289	13.45%
Total	321	100.00%	\$17,599,096	100.00%

LIPA Loans Funded by Council District

