HOUSING COMMITTEE REPORT relative to creating an Individual Development Account (IDA) Program.

Recommendation for Council action, pursuant to Motion (Rodriguez - Ryu):

INSTRUCT the Los Angeles Housing and Community Investment Department, with the assistance of the Chief Legislative Analyst (CLA) and the City Administrative Officer (CAO), to report on the feasibility, with options, of creating an IDA Program to be offered by the City to complement its first-time homebuyer programs.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On October 24, 2018, your Committee considered a Motion (Rodriguez - Ryu) relative to creating an IDA Program. According to the Motion, the Housing Opportunity and Market Experience survey conducted by the National Association of Realtors revealed that 87 percent of respondents still consider owning a home part of their American Dream. Aside from the sense of accomplishment that homeownership can provide, there are many other benefits to homeownership; ownership spurs pride and involvement in community. In economic terms, buying a home allows individuals and families to build equity, therefore building their wealth and strengthening their potential for upward mobility.

Despite the demonstrated desire for homeownership, the Greater Los Angeles Area continues to have the lowest per capita homeownership rate of any major American metropolitan area. The increasing cost of rental housing throughout California makes saving towards a home purchase an extremely challenging task. The City of Los Angeles offers Low Income and Moderate Income Purchase Assistance Programs for first time homebuyers. These programs provide loans to cover the down payment, closing and acquisition costs of a first time residential property purchase. Qualifying participants must contribute a minimum of one percent of the home price towards the down payment. Nearly one-third of renters in Los Angeles spend 50 percent or more of their monthly income on rent. This creates a particularly frustrating situation for low to moderate income households who feel ready to step into the homebuyer's market, but cannot make adequate progress in saving the required one percent contribution toward the down payment.

In an effort to address this issue, the non-profit EARN has partnered with other municipalities in offering IDA. These are matched savings accounts for low-wage workers to save towards an asset goal, such as the purchasing of a home. The matching funds are provided by a combination of government institutions, foundations, businesses, and individual donors to the program who value what homeownership brings to communities. The IDA is coupled with a program component that requires participants to engage in homeownership training and financial counseling. The program not only creates a financial incentive to save, but also provides education to develop sustainable savings habits- both critical skills in buying and keeping a home.

Establishing a program modeled after the above would allow a new population of homeowners to enter the housing market and build wealth, and is therefore a worthy model to explore for the City. The City should investigate the mechanism necessary to develop a partnership with EARN, or another likeminded institution, to establish an IDA program in the City of Los Angeles. The program could provide first time homebuyers with a pathway towards saving the required one percent contribution towards the down payment on their first home; enabling their participation in the City's first time homebuyer programs. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion as detailed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE

MEMBER	**VOTE**
CEDILLO:	YES
KREKORIAN:	ABSENT
HARRIS-DAWSON:	YES

ARL
10/24/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-