

M E M O R A N D U M

DATE: November 16, 2022

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President (K)

SUBJECT: Increase of HOME CHDO Funding Award and Loan Agreement between The Long Beach Community Investment Company and Home Ownership for Personal Empowerment for the Acquisition and Rehabilitation of Housing for Special Needs Individuals (District 6)

RECOMMENDATION:

1. Approve an increase of HOME CHDO funds awarded to Home Ownership for Personal Empowerment in the amount of \$239,741;
2. Approve a loan in the amount of \$1,098,792 in HOME CHDO funds to Home Ownership for Personal Empowerment for the acquisition and rehabilitation of the property located at 2024 Lemon Avenue;
3. Authorize the President to negotiate an Affordable Housing Loan Agreement with Home Ownership for Personal Empowerment; and,
4. Authorize the President to execute any and all documents necessary to implement the Loan Agreement and the project.

DISCUSSION

On January 4, 2022, following the release of a Notice of Funding Availability, the Long Beach Community Investment Company (LBCIC) approved the selection of Home Ownership for Personal Empowerment (HOPE) for an award of Community Housing Development Organization (CHDO) funds in the amount of \$859,051, and authorized the President to enter into an Agreement to Negotiate Exclusively (ENA) with HOPE for the acquisition and rehabilitation of housing for special needs individuals. Since execution of the ENA, HOPE experienced difficulty securing a property due to the strong real-estate market in early 2022. With more properties available in the market, HOPE identified a property and submitted a proposal for the acquisition and rehabilitation of six units located at 2024 Lemon Avenue (Project). A site map, photos and a copy of the staff report are attached for reference (Attachments A and B).

The U.S. Department of Housing and Urban Development requires Participating Jurisdictions (PJs) to set-aside at least 15 percent of its annual HOME allocation for eligible HOME activities to be undertaken by CHDO's, which are a special type of non-profit community-based service organization. CHDOs must meet certain requirements

pertaining to their legal status, organizational structure, and capacity and experience. It is the PJs responsibility to ensure requirements are met and to qualify organizations as a CHDO. CHDOs must serve as owners, developers or sponsors and must have the staff capacity to develop affordable housing for the community they serve. Through the allocation of CHDO funds, HOPE has successfully completed nine affordable housing projects, creating 46 affordable units for individuals with developmental disabilities throughout the City of Long Beach.

The proposed Project will include six one-bedroom units for households with severe developmental disabilities earning less than 50 percent of Area Median Income. An operating subsidy and supportive services will be provided by the Harbor Regional Center (HRC), a non-profit organization operating under contract with the California Department of Developmental Services. The operating subsidy will ensure that the tenants pay no more than 30 percent of their income towards rent. The combination of tenant rents and HRC operating subsidy will ensure adequate cash flow as well as long term operational and capital reserves. Relatively little rehabilitation is necessary, but all units will be upgraded with accessibility features and other improvements to support the safety, comfort and independence of residents. A laundry room and an outdoor community space will also be constructed for resident use.

HOPE submitted a request for LBCIC financial assistance in the amount of \$1,098,792 to assist with the acquisition of the property. Although the request exceeds the amount of funds previously awarded to HOPE by \$239,741, there are sufficient HOME CHDO funds budgeted to cover the increase. Therefore, staff requested Keyser Marston Associates (KMA) to review the request and prepare a HOME Underwriting and Subsidy Layering Review (Attachment C). KMA's analysis indicates that the total project development cost is estimated at \$1.59 million, potential available funding sources at \$493,000 and determined a financial gap at approximately \$1.10 million. As such, the analysis demonstrates the requested amount is necessary to develop the Project.

Based on KMA's analysis, staff recommends approval of a \$1,098,792 HOME loan. HOPE provides essential housing opportunities for an extremely vulnerable population, and the project supports the implementation of the City of Long Beach's Housing Element Program 1.6 (Affordable Housing Development Assistance). If approved, the loan will be structured as a residual receipt note with a 0 percent interest rate and a 30-year term.

SUGGESTED ACTION:

Approve Recommendation.

CK:PU:MS:sm

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Attachments:

- A. Site Map and Photographs
- B. January 4, 2022 Staff Report
- C. KMA Analysis