

## M E M O R A N D U M

**DATE:** April 18, 2018

**TO:** Board of Directors  
The Long Beach Community Investment Company

**FROM:** Patrick Ure, President 

**SUBJECT:** **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 (CD 8)**

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### **RECOMMENDATION:**

1. Approve a loan in the amount of \$252,800 in HOME CHDO funds to Home Ownership for Personal Empowerment for the acquisition and rehabilitation of the property located at 1402 E. Washington Street;
2. Authorize the President to negotiate an Affordable Housing Loan Agreement with Home Ownership for Personal Empowerment; and,
3. Authorize the President to execute any and all documents necessary to implement the Loan Agreement and the project.

### **DISCUSSION**

On September 20, 2017, 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 \$950,000, 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.

HOPE submitted a proposal for the acquisition and rehabilitation of a single-family residence located at 1402 E. Washington Street (Property). A site map and photos are attached for your information (Attachment A). The Property currently includes four bedrooms and three full bathrooms. HOPE plans to convert the home into a three-bedroom unit with 1 accessible bathroom and 1 full bathroom. Each bedroom in the home will be occupied by an individual with developmental disabilities. These residents may have more complex needs and therefore will have on-site care and supervision 24 hours a day by trained direct support professional staff. The home will

be licensed and monitored through the California Department of Social Services Division through Community Care Licensing and the Harbor Regional Center, a nonprofit service organization operated under contract with the California Department of Developmental Services.

The HOME Program allows funds to be used for shared occupancy units and requires that the tenant rent be based on the applicable Section 8 Fair Market Rent (FMR) for the unit size, which is set by the Local Housing Authority, and is currently \$2,376 for a three-bedroom unit in the 90805-zip code. Tenant incomes are expected to be in the extremely low-income category of 30%AMI, with SSI often being their only source of income. The tenant's share of rent will be based on 30% of their income. Rent subsidies and on-site supportive services are provided by California Provider for Enrichment Services (CPES) contracted by the Harbor Regional center. Total ongoing expenses for the project, as well as reserve set asides, will be captured through a lease agreement between HOPE and CPES, ensuring adequate cash flow as well as long term operational and capital reserves. The Regional Center will also ensure that there is a long-term service provider in place to maintain the program.

Total project costs are estimated at \$803,200. This amount includes property acquisition costs of \$656,100, and estimated rehabilitation costs of \$147,100. Rehabilitation will consist of converting the home from four bedrooms to three bedrooms to incorporate accessibility features including a roll-in shower for wheelchairs, the widening of doorways and hallway, flooring repair as needed, kitchen upgrades, and a ramp/deck leading to one bedroom. Staff requested Keyser Marston Associates (KMA) to prepare a HOME Underwriting & Subsidy Layering Review, which is attached for your reference (Attachment B). These improvements will support the safety, comfort and independence of residents. The following chart details the breakdown of the funding sources and uses:

<b>Acquisition/Rehabilitation</b>	
HOPE Mortgage	\$431,600
Deferred Developer Fee	\$18,800
Provider CPP Funds	\$100,000
HOME CHDO Funds	\$252,800
<b>Total Sources</b>	<b>\$803,200</b>
Property Acquisition	\$600,000
Renovation	\$141,000
Performance Bond	\$4,100
Predevelopment	\$21,800
Closing Costs and Fees	\$14,200
Developer Fee	\$20,100
Contingency Allowance	\$2,000
<b>Total Uses</b>	<b>\$803,200</b>

HOPE provides essential housing opportunities for an extremely vulnerable population. In addition, partnerships with CHDOs supports the implementation of Housing Element Program 4.1 (Affordable Housing Development Assistance), and for those reasons, staff supports the approval of a HOME loan in the amount of \$252,800.

**SUGGESTED ACTION:**

Approve Recommendation.

Attachment:

- A. Site Map and Photographs
- B. KMA HOME Underwriting & Subsidy Layering Review

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