

## **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: Increase of CHDO Award Funds 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 (CD 3)**

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### **RECOMMENDATION:**

1. Approve an increase in the amount of \$344,520 to the Notice of Funding Availability of HOME CHDO funds awarded to Home Ownership for Personal Empowerment on September 20, 2017;
2. Approve a loan in the amount of \$875,920 in HOME CHDO funds to Home Ownership for Personal Empowerment for the acquisition and rehabilitation of the property located at 116 Redondo 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 September 20, 2017, following the release of a Notice of Funding Availability (NOFA), 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.

On November 8, 2017, the Board approved a loan in the amount of \$165,800 in HOME CHDO funds to HOPE for the acquisition and rehabilitation of a single-family

property located at 2800 Baltic Avenue. The Board approved another request for a loan in the amount of \$252,800 for the acquisition and rehabilitation of a single-family property located at 1402 E. Washington Street. The total of these two projects is \$418,600, which leaves a total of \$531,400 remaining in the existing NOFA award of \$950,000.

HOPE submitted a proposal for the acquisition and rehabilitation of six units located at 116 Redondo Avenue (Property). A site map and photos are attached for your information (Attachment A). HOPE is requesting \$875,920 in HOME CHDO funds to assist with the acquisition of the property. That amount exceeds the balance of the 2017 NOFA funds awarded to HOPE by \$344,520. There are sufficient HOME CHDO and HOME Entitlement funds in the budget to cover the \$344,520 increase.

The project is located within Council District 3, an area which lacks affordable housing projects and is considered a high-opportunity area. In developing the City's Assessment of Fair Housing (AFH); a requirement by the U.S. Department of Housing and Urban Development (HUD), a recurring theme throughout the community outreach process was the need to offer affordable housing options citywide, including high-opportunity areas, rather than being concentrated in specific neighborhoods. As a result, the first goal of the AFH is to preserve affordable housing in low-income neighborhoods and expand affordable housing opportunities Citywide.

The Property includes two studio units, two (2) one-bedroom units and two (2) two-bedroom units. If approved, five units will be made affordable to special needs individuals, and one studio unit will serve as the office for the on-site supportive services.

The HOME Program requires that in projects with five or more HOME-assisted units, at least 20% of the units must be rented at or below the Low HOME rent to households earning 50% AMI. Since the project contains five HOME-assisted units, this rule applies. Therefore, one unit must be restricted at the Low HOME rent, and the remaining four will be restricted at the High HOME rent. The following chart provides a summary of the proposed rents:

No. of Units	Bedrooms	Requirements	Proposed Rents
1	0	Low HOME	\$788
2	1	High HOME	\$1,163
2	2	High HOME	\$1,397
Total Units: 5		Total Bedrooms: 7	

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 the Harbor Regional Center (HRC), a non-profit service organization operating under contract with the California Department of Developmental Services. Total ongoing expenses for the project, as well as reserve set asides, will be captured through a lease agreement between HOPE and HRC, 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 \$2,058,100. This amount includes property acquisition costs of \$1,893,600 and estimated rehabilitation costs of \$164,500. All units will be rehabilitated to comply with HOME property standards to incorporate accessibility features, and other improvements to support the safety, comfort and independence of residents. Staff requested Keyser Marston Associates (KMA) to prepare a HOME Underwriting & Subsidy Layering Review, which is attached for your reference (Attachment B). The following chart details the breakdown of the funding sources and uses:

<b>Acquisition/Rehabilitation</b>	
HOPE Mortgage	\$1,015,000
Deferred Developer Fee	\$25,000
Del Harbor Foundation Funds	\$20,000
Developer Contribution	\$122,180
HOME CHDO Funds	\$875,920
<b>Total Sources</b>	<b>\$2,058,100</b>
Property Acquisition	\$1,805,000
Renovation	\$70,000
Performance Bond	\$2,500
Predevelopment	\$40,100
Closing Costs and Fees	\$23,500
Developer Fee	\$25,000
Contingency Allowance	\$4,000
Relocation	\$88,000
<b>Total Uses</b>	<b>\$2,058,100</b>

The project provides a rare opportunity to provide affordable housing in a high-opportunity area. In addition, HOPE provides essential housing opportunities for an extremely vulnerable population, the project supports the implementation of Housing Element Program 4.1 (Affordable Housing Development Assistance), and it meets the first goal of the AFH (*preserve affordable housing in low-income neighborhoods and expand general affordable housing supply Citywide*). For those reasons, staff supports the approval of a \$344,520 increase to the 2017 NOFA award, and approval of a HOME loan in the amount of \$875,920.

**SUGGESTED ACTION:**

Approve Recommendation.

Attachment:

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

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