

M E M O R A N D U M

DATE: February 20, 2019

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Linda F. Tatum, President *LT*

SUBJECT: Award of CHDO Funds and Authorization to Execute Loan Agreements with Home Ownership for Personal Empowerment (HOPE) for the Acquisition of Housing for Special Needs Individuals (Citywide).

RECOMMENDATION:

1. Approve the selection of Home Ownership for Personal Empowerment (HOPE) for an award of CHDO funds in the amount of \$451,676;
2. Approve a loan in the amount of \$150,000 in HOME CHDO funds to HOPE for the acquisition of the property located at 4734 Sunfield Avenue;
3. Approve a loan in the amount of \$150,000 in HOME CHDO funds to HOPE for the acquisition of the property located at 6127 Keynote Street;
4. Approve a loan in the amount of \$151,676 in HOME CHDO funds to HOPE for the acquisition of the property located at 6711 East 9th Street;
5. Authorize the President to negotiate Affordable Housing Loan Agreements with HOPE; and,
6. Authorize the President to execute any and all documents necessary to implement the Loan Agreements and the project.

DISCUSSION

The HOME Investment Partnership Program (HOME) was created by the National Affordable Housing Act of 1990. It is the largest federal block grant to state and local governments designed to expand the supply of decent, safe, affordable housing for low-income households. Under the HOME program, the U.S. Department of Housing and Urban Development (HUD) provides formula grants to eligible state and local governments annually to fund a wide range of activities, including building, buying, and/or rehabilitating housing for rent or sale to qualified lower-income households.

Among other things, HOME requires Participating Jurisdictions (PJs) to set-aside at least 15% of its annual HOME allocation for eligible HOME activities to be undertaken by a special type of non-profit community-based service organization called a Community Housing Development Organization (CHDO). CHDOs must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience. Eligible activities for CHDOs include new construction of rental housing, acquisition and/or rehabilitation of rental housing, new construction of owner-occupied housing, acquisition and/or rehabilitation of owner-occupied housing, and direct financial assistance to homebuyers of HOME-assisted housing that has been developed with HOME funds by the CHDO. It is the PJs responsibility to qualify these organizations with CHDO designation and ensure that they meet certain requirements pertaining to their organizational structure, legal status, capacity and experience. CHDOs must serve as owners, developers or sponsors and must have the staff capacity to develop affordable housing for the community they serve.

On November 1, 2018, staff published a Notice of Funding Availability (NOFA) announcing the availability of approximately \$451,676 in HOME funds available to established CHDOs (Attachment A) for the acquisition and/or rehabilitation of rental housing units serving individuals or households with developmental disabilities. The deadline for submitting proposals was November 16, 2018. One proposal from Home Ownership for Personal Empowerment (HOPE) was received.

HOPE is a non-profit housing developer whose mission is to create stable affordable housing options for individuals with developmental disabilities. HOPE recently completed the rehabilitation of a four-unit building and two single family shared housing projects in Long Beach for individuals with developmental disabilities, and a five-unit rehabilitation project is currently underway.

The proposal submitted by HOPE is for the acquisition of three single family properties that currently serve as 24-hour licensed care facilities that provide affordable housing for extremely low-income individuals with severe developmental disabilities. Rehabilitation of the properties is not necessary and HOPE will continue to operate the group homes as is. The property locations are as follows:

- 4734 Sunfield Avenue, Long Beach, CA 90808 (Sunfield)
- 6127 E. Keynote Street, Long Beach, CA 90808 (Keynote)
- 6711 E. 9th Street, Long Beach, CA 90815 (9th Street)

A site map and photos are attached for your information (Attachment B). Sunfield includes five bedrooms and two bathrooms, Keynote includes four bedrooms and three bathrooms, and 9th Street includes four bedrooms and two bathrooms. All bedrooms are occupied by individuals with developmental disabilities, except for one bedroom at Sunfield that is utilized as a staff office. These residents have more complex needs and therefore have on-site care supported-living services 24 hours a day by trained professional staff. These licensed homes are monitored by the California Department of Social Services Division through Community Care Licensing and the Harbor Regional Center, (HRC) a nonprofit service organization operated under contract with the California Department of Development 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 \$3,287 for a four-bedroom unit in the 90808-zip code and \$3,413 for a four-bedroom unit in the 90815-zip code. Tenant incomes are expected to be extremely low-income (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 Ambitions California, Inc. (Ambitions) contracted by the HRC. Total ongoing expenses for the project, as well as reserve set asides, will be captured through a lease agreement between HOPE and Ambitions, ensuring adequate cash flow as well as long term operational and capital reserves. HRC will also ensure that there is a long-term service provider in place to maintain the program.

Staff requested Keyser Marston Associates (KMA) to prepare HOME Underwriting & Subsidy Layering Reviews for each property, which are attached for your reference (Attachment C) The following chart details the breakdown of the funding sources and uses for each of the properties:

	4734 Sunfield	6127 Keynote	6711 9th St
HOPE Mortgage	\$576,000	\$612,000	\$684,000
HOPE Equity	\$21,860	\$32,570	\$52,314
HOME CHDO Funds	\$150,000	\$150,000	\$151,676
Total Sources	\$747,860	\$794,570	\$887,990
Property Acquisition	\$720,000	\$765,000	\$855,000
Predevelopment (Legal & Accounting)	\$3,380	\$3,560	\$3,920
Closing Costs and Fees	\$17,280	\$18,360	\$20,520
Developer Fee	\$7,200	\$7,650	\$8,550
Total Uses	\$747,860	\$794,570	\$887,990

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 award of CHDO funds to HOPE and approval of the loans in the total amount of \$451,676.

SUGGESTED ACTION:

Approve Recommendations.

Attachment:

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

LFT:PU:sm