

M E M O R A N D U M

DATE: August 21, 2019

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Linda F. Tatum, President 

SUBJECT: Approval of a HOME Loan to Home Ownership for Personal Empowerment (HOPE) for the Acquisition and Rehabilitation of 4713 Clark Avenue (CD 5)

RECOMMENDATION:

1. Approve a HOME loan in the amount of \$1.18 million to Home Ownership for Personal Development (HOPE) for the acquisition and rehabilitation of 4713 Clark Avenue;
2. Authorize the President to negotiate an Affordable Housing Loan Agreement with Home Ownership for Personal Empowerment; and,
3. Authorize the President or designee to execute any and all documents necessary to implement the Loan Agreement and the project.

DISCUSSION

On June 19, 2019, 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 \$1.2 million, and authorized the President to enter into an Agreement to Negotiate Exclusively (ENA) with HOPE for the acquisition and rehabilitation of 4713 Clark Avenue (Project). A site map, photos (Attachment A) and a copy of the staff report (Attachment B) are attached for reference. Since the execution of the ENA, HOPE has further developed the financial plan for the project and is in process of securing additional proposed funding.

Founded in 1994, HOPE is a nonprofit housing developer that creates affordable housing for persons with developmental disabilities. Their mission is to create stable affordable housing for this most vulnerable population throughout Southern California. HOPE currently owns 122 properties with the capacity to house over 330 adults with developmental disabilities, and recently completed two similar multi-family affordable housing projects in Long Beach.

HOPE is currently proposing to purchase and rehabilitate the property at 4713 Clark Avenue. The Project will include seven one-bedroom units for households with severe developmental disabilities earning less than 50% of Area Median Income (AMI). An operating subsidy and on-site supportive services will be provided by the Harbor Regional Center (HRC), a non-profit service organization operating under contract with the California Department of Developmental Services. The operating subsidy will ensure that the tenants pay no more than 30% of their income towards rent. 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 supportive services. 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.

The project is located within Council District 5, an area that lacks affordable housing and is considered a high-opportunity area. In developing the City's Assessment of Fair Housing (AFH) required 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.

HOPE submitted a request for LBCIC financial assistance in the amount of \$1.18 million. Staff requested Keyser Marston Associates (KMA) to review the request and prepare a HOME Underwriting & Subsidy Layering Review, which is attached for your reference (Attachment C). KMA's analysis indicates that the total project development cost is estimated at \$2,580,800, potential available funding sources at \$1,386,000 and determined a financial gap at approximately \$1,194,800. The variance between the financial gap calculation and request for assistance equates to a less than 1% differential, which KMA considers inconsequential.

Based on KMA's analysis, staff recommends approval of a \$1.18 million HOME loan. 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 meets the first goal of the AFH (preserve affordable housing in low-income neighborhoods and expand general affordable housing supply Citywide). If approved, the loan will be structured as a residual receipt note with a 0% interest rate and a 30-year term.

SUGGESTED ACTION:

Approve Recommendation.

LFT:PU:MS:SM

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Attachments:

- A. Site Map and Photographs
- B. June 19, 2019 Staff Report
- C. KMA Analysis