


M E M O R A N D U M

DATE: November 18, 2015

TO: Board of Directors
The Long Beach Community Investment Company

FROM: 
Amy J. Bodek, 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 1)

RECOMMENDATION:

1. Approve a loan in the amount of \$500,000 in HOME CHDO funds to Home Ownership for Personal Empowerment for the acquisition and rehabilitation of the property located at 817 Daisy Avenue;
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 October 21, 2015, 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 \$1,047,000, 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 five units located at 817 Daisy Avenue (Property). The Property includes two 4-Bedroom units, two 2-Bedroom units, and one studio unit. Due to the very small size of the bedrooms in the two 4 –bedroom units, they will be converted into 2-bedroom units to provide ample space for the tenants. As a result of this modification, the Project will consist of four affordable 2-bedroom units, and one market rate studio, which will serve as the office for the on-site supportive services.

Each 2 bedroom unit will be occupied by two individuals with developmental disabilities. The HOME Program allows funds to be used for shared occupancy units,

and requires that the total rent for the units 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 \$1,265 for a two-bedroom unit.

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. Rents subsidies and on-site supportive services to assist residents with daily living skills will be provided by California Mentor. California Mentor is a contracted provider of the Harbor Regional Center, a non-profit service organization operating under contract with the California Department of Developmental Services. The Regional Center also provides intensive services and case management to the residents. Total ongoing expenses for the project, as well as reserve set asides, will be captured through a lease agreement between HOPE and California Mentor, ensuring positive 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 \$1,433,892. This amount includes property acquisition costs of \$853,892, and estimated rehabilitation costs of \$580,000. All units will be rehabilitated to include new flooring, A/C units, interior/exterior paint, appliances, and updated bathrooms and kitchens. Funding for the project includes HOME CHDO funds; a mortgage with a local lender with which HOPE has a well-established relationship; and funding from California Mentor for specialty renovations including accessibility features, a small staff office, and safety features as required or needed. The following chart details the breakdown of the funding sources and uses:

Acquisition	
HOME CHDO Funds	\$300,000
HOPE Mortgage	\$540,000
Other Acquisition: HOPE Contribution	\$13,892
Rehabilitation	
HOME CHDO Funds	\$200,000
Provider California Mentor	\$150,000
Foundation Contribution	\$75,000
HOPE Contribution	\$155,000
Total Sources	\$1,433,892
Property Acquisition	\$835,000
Closing Costs and Fees	\$10,438
Developer Fee	\$51,645
Predevelopment	\$24,900
Renovation	\$431,909
Relocation	\$80,000
Total Uses	\$1,433,892

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 \$500,000.

SUGGESTED ACTION:

Approve Recommendation.

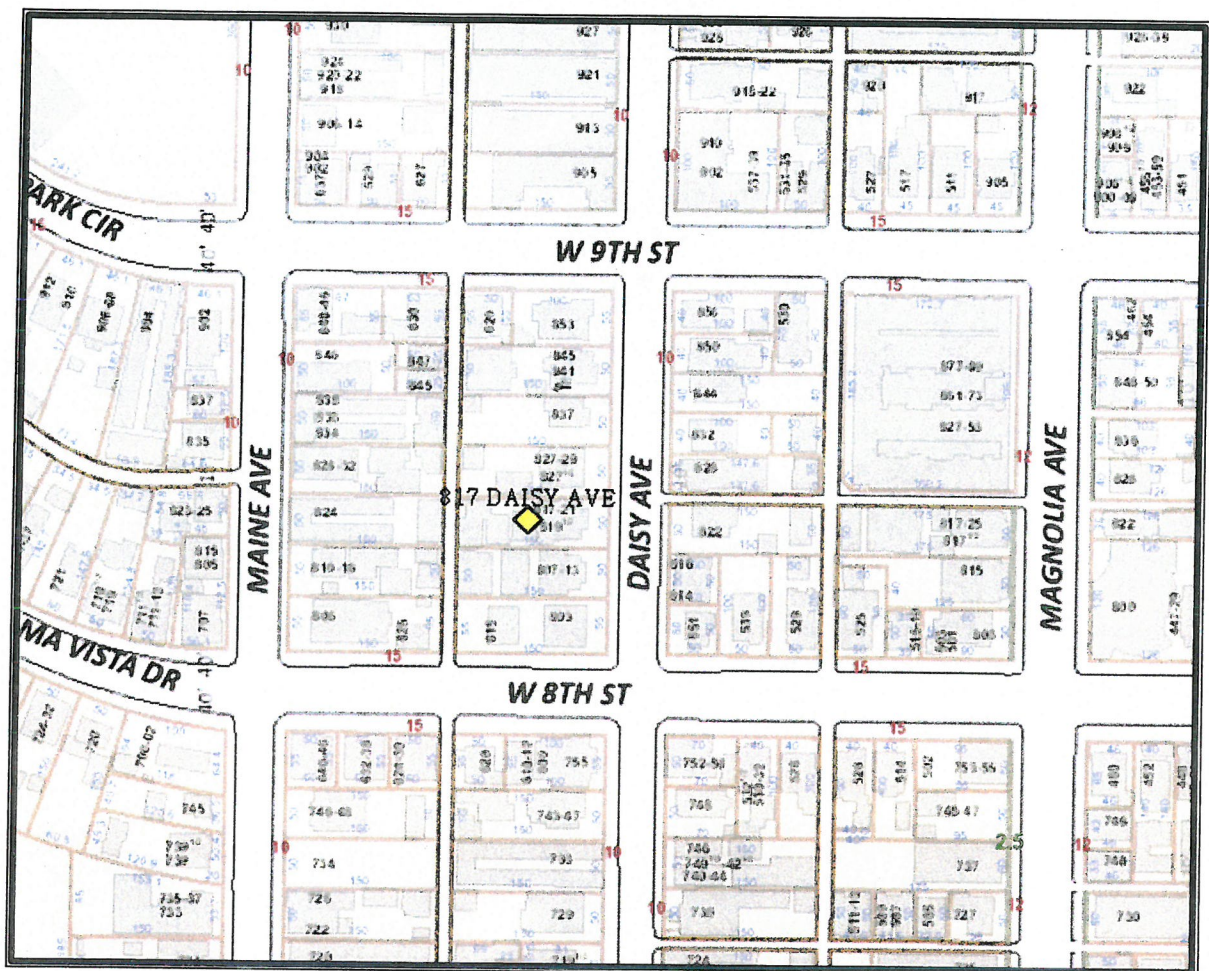
Attachment:

A. Site Map and Photographs

AJB:PU:sm

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