

MEMORANDUM



The
**Long Beach
Housing
Development
Company.**

DATE: November 17, 2010
TO: Board of Directors
The Long Beach Housing Development Company
FROM: Projects Committee
PREPARED BY: Patrick Ure, Housing Development Officer
SUBJECT: **Authorization to Enter into a Disposition and Development Agreement and Loan Agreement with Habitat for Humanity for the Development of the Properties at 1411 Pine Avenue, 105 W. 14th Street, and 228 W. 14th Street (CD 1)**

RECOMMENDATIONS

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement for the conveyance of the properties at 1411 Pine Avenue, 105 W. 14th Street, and 228 W. 14th Street to Habitat for Humanity Greater Los Angeles subject to any Redevelopment Agency and City Council approvals that are required by the California Health and Safety Code;
2. Approve a loan of up to \$485,700 to Habitat for Humanity Greater Los Angeles to provide gap financing for the development of the properties at 1411 Pine Avenue, 105 W. 14th Street, and rehabilitation of 228 W. 14th Street; and
3. Authorize the President or designee to execute any and all documents necessary to implement the Disposition and Development and Loan Agreements.

EXECUTIVE SUMMARY

On August 19, 2010, Habitat for Humanity Greater Los Angeles (Habitat) submitted a proposal to The Long Beach Housing Development Company for the development of 1411 Pine Avenue, 105 W. 14th Street, and 228 W. 14th Street. The proposal includes the following:

- Conveyance of the three properties to Habitat at no cost.
- Approval of financial assistance of up to \$502,700 to construct two new single-family homes at 1411 Pine and 105 W. 14th Street, and rehabilitate the existing home at 228 W. 14th Street.
- Resale of the homes to very low-, and low-income first time homebuyers.

**MAKING
AFFORDABLE
HOUSING
HAPPEN**

AGENDA ITEM NO. 2

Mailing Address:
110 Pine Avenue
Suite 1200
Long Beach, CA 90802
Tel 562/570-6949
Fax 562/570-5921

PROPERTY DESCRIPTION

The scattered-site development consists of two vacant lots at 1411 Pine Avenue and 105 W. 14th Street, and an existing single family home at 228 W. 14th Street. The properties were acquired by the LBHDC in 2005 and 2007 in conjunction with the Washington Housing Action Plan Implementation Strategy.

PROJECT DESCRIPTION

Habitat's proposal includes the construction of two new four- and five-bedroom single-family homes on the vacant lots at the northwest corner of Pine Avenue and 14th Street, and the rehabilitation of the existing two-bedroom home at 228 W. 14th Street. Below is a summary of the proposed development.

Bath	Bed	Bath	Unit Size (Sf)	Unit Type
1411 Pine Ave	4	2	1,330	New Construction
105 W. 14 th Street	5	2	1,525	New Construction
228 W. 14 th Street	2	1	1,050	Rehabilitation

Both new homes will have a classic craftsman style design that will complement the surrounding neighborhood. The property located at 228 W. 14th Street was partially rehabilitated by a previous owner. The effort resulted in a new bathroom, kitchen, lighting, paint and flooring. Habitat proposes to complete the rehabilitation by making exterior improvements to the property, replacing the windows, improving landscaping, and cleaning up the property to make it ready for sale. Habitat will be the building contractor for the project and will utilize volunteer labor in the construction of the homes.

Each of the homes will be sold to very-low income first-time homebuyers earning less than 50% of the Los Angeles County Area Median Income (AMI). The rehabilitated unit will be sold to a low-income household earning less than 80% of AMI. The properties will carry long-term income and affordability covenants for 45 years. Additionally, the families selected to purchase each new home will be required to contribute equity hours towards the construction of their home and/or other Habitat Homes.

All of the homes will be constructed using sustainable materials and environmentally friendly building practices and will incorporate energy saving appliances. It is Habitat's goal that the homes will receive LEED-for-Homes Silver rating and will be at least 10% more efficient than Title 24 requirements.

REQUEST FOR FINANCIAL ASSISTANCE

The project development costs are estimated at \$793,700. Habitat anticipates receiving \$308,000 in outside assistance from corporate sponsorship and the Federal Home Loan Bank's Workforce Initiative Subsidy for Homeownership (WISH) Program. The gap between the estimated costs and the available outside assistance totals \$485,700, as shown on the chart below.

	Development Cost	Funding Sources		GAP
		WISH	Corporate	
1411 Pine Ave	\$340,000	\$15,000	\$132,000	\$193,000
105 W. 14 th Street	\$395,000	\$15,000	\$146,000	\$234,000
228 W. 14 th Street	\$58,700			\$58,700
Total	\$793,700	\$30,000	\$278,000	\$485,700

Habitat is requesting that the LBHDC provide the land at no cost and provide the gap funding in the form of a zero-interest development loan for construction. Habitat is also requesting that the development loan be converted into silent second mortgage loans that will be assumed by each end buyer.

Habitat plans to sell the newly constructed homes to very low-income households using Habitat's typical model, whereby Habitat sells the unit at market price and provides a zero-interest first mortgage loan in the amount that is affordable to the selected buyer. The homebuyer makes payments to Habitat on that loan, until it is fully paid. The difference between the market price and the first mortgage loan will be covered by a silent second mortgage loan, as discussed above. For the rehabilitated home, Habitat plans to sell it to a low-income buyer who will have to secure a conventional first mortgage loan in an amount that is affordable to that buyer. Upon sale of the home, Habitat will repay the LBHDC an amount equal to the first mortgage loan. The LBHDC will carry a second mortgage note for the difference between the market sales price at the time of the sale and the first mortgage loan. The LBHDC second mortgage loans will include a 45-year term. The chart below provides details on the repayment of LBHDC loan funds.

	1411 Pine	105 W. 14th	228 W. 14th	Total
Market Sales Price	\$309,300	\$344,700	\$211,300	\$865,300
First Mortgage Loans	\$150,100	\$163,700	\$115,400	\$429,200
Second Mortgage Loans	\$159,200	\$181,000	\$95,900	\$436,100
Total LBHDC Repayment	\$159,200	\$181,000	\$211,300	\$551,500

1. \$115,400 gets repaid to LBHDC upon sale (\$109,600 first mortgage plus a \$5,800 down payment); \$313,800 gets repaid to Habitat over 30 years.

2. \$436,100 in second mortgage funds gets repaid to LBHDC at property transfer (plus equity share).

3. A total of \$551,500 gets repaid to LBHDC.

Staff asked Keyser Marston Associates (KMA), economic financial consultant, to review and analyze the developer's proforma. KMA reviewed the developer's cost estimates and found the assumptions to be reasonable and to be within industry standards. KMA also analyzed the funding sources and concluded that the financial request of \$485,700 is warranted to make the project feasible.

The requested assistance is covered under the approved budget allocation for the Washington HAP Focus Area in FY 2011. The proposed project by Habitat also

LBHDC Board of Directors

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responds to Goal #6 stated in the City's Adopted 2008-2014 Housing Element – to provide increased opportunities for home ownership.

The Projects Committee has reviewed this item on November 9, 2010, and recommends the Board's approval.

Attachment: Map, photos, conceptual plans

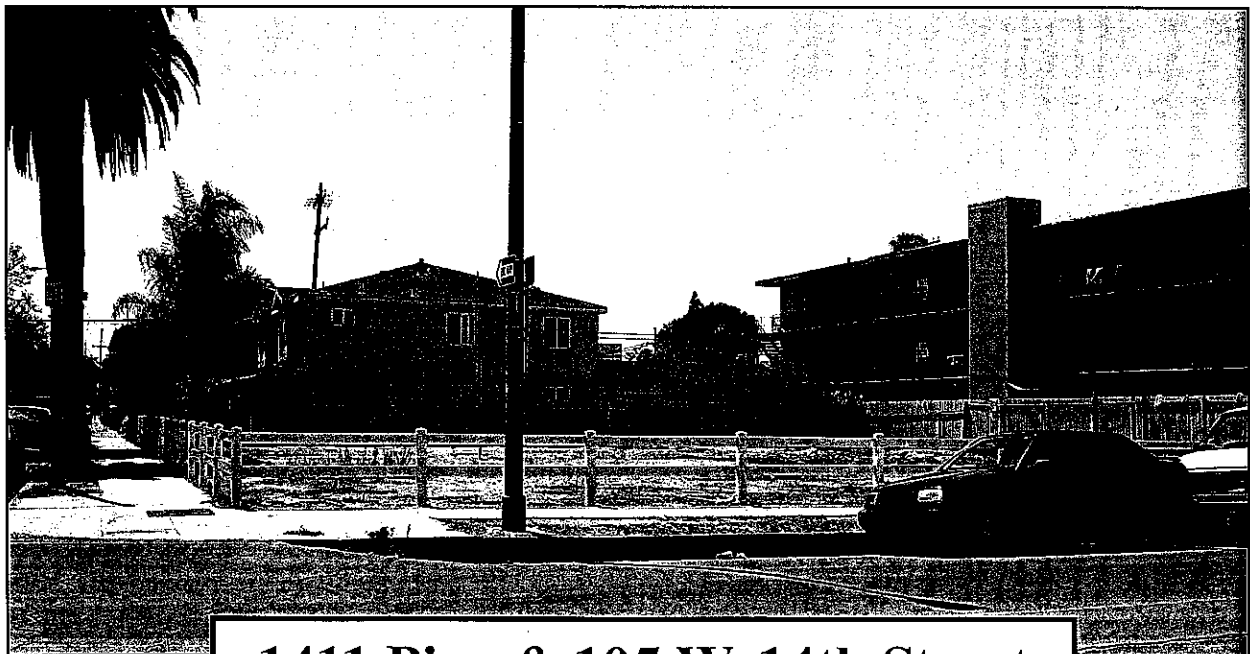
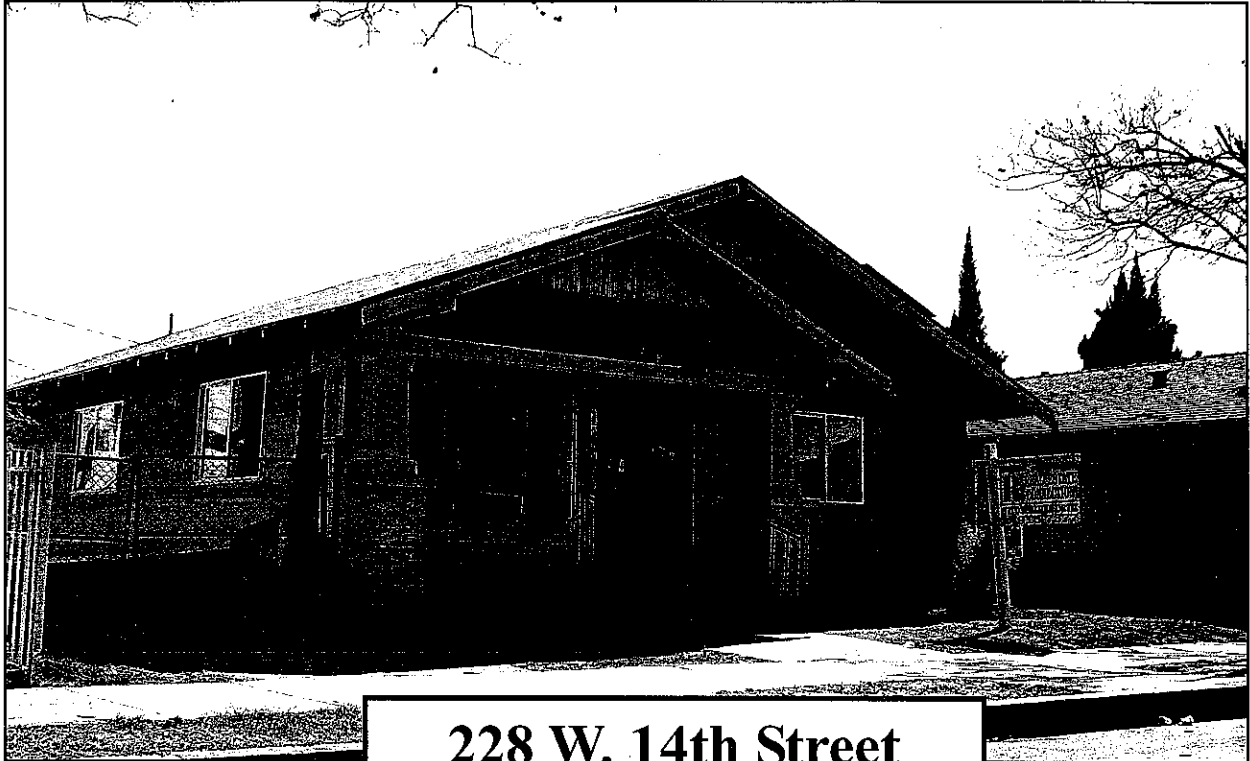
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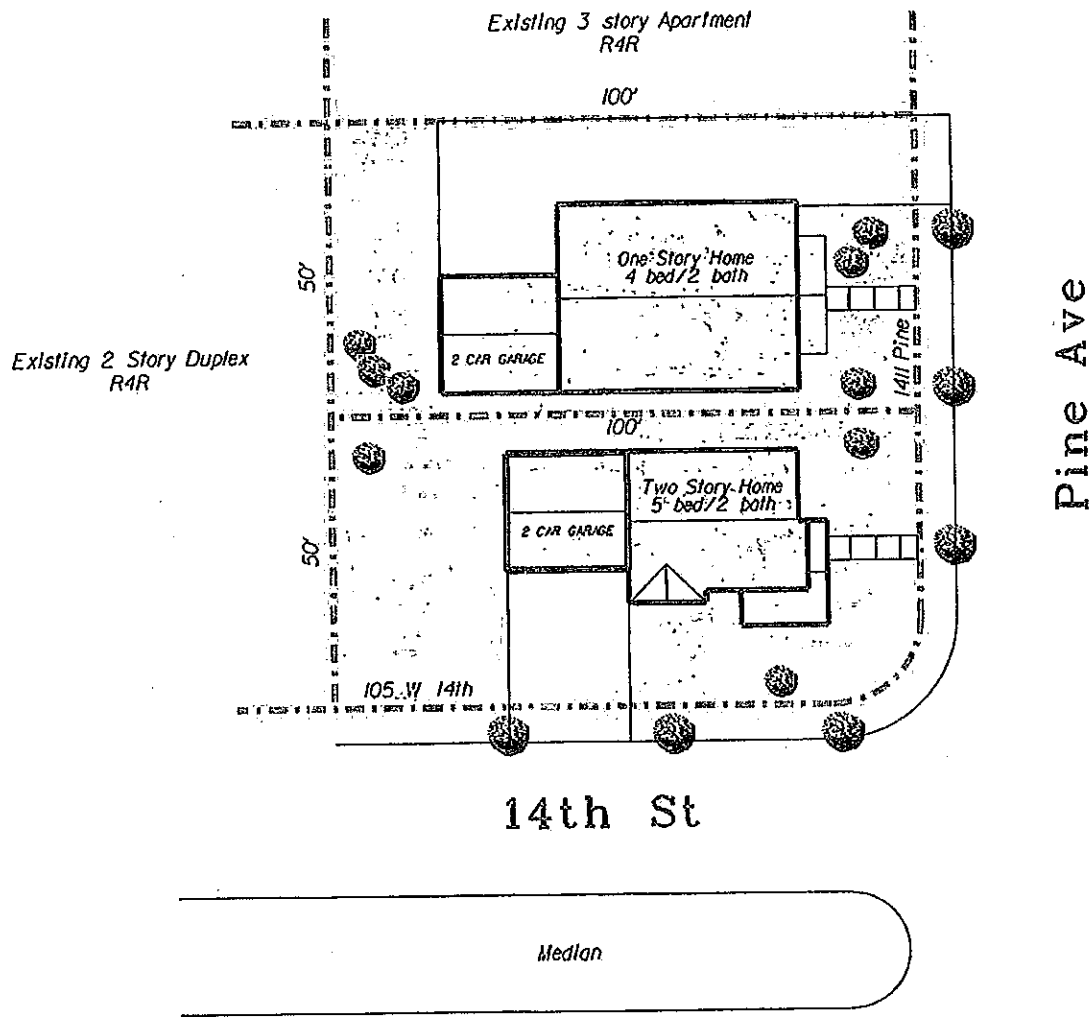
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**1411 Pine Avenue, 105 W. 14th Street
& 228 W. 14th Street**



**1411 Pine Avenue, 105 W. 14th Street
and 228 W. 14th Street**





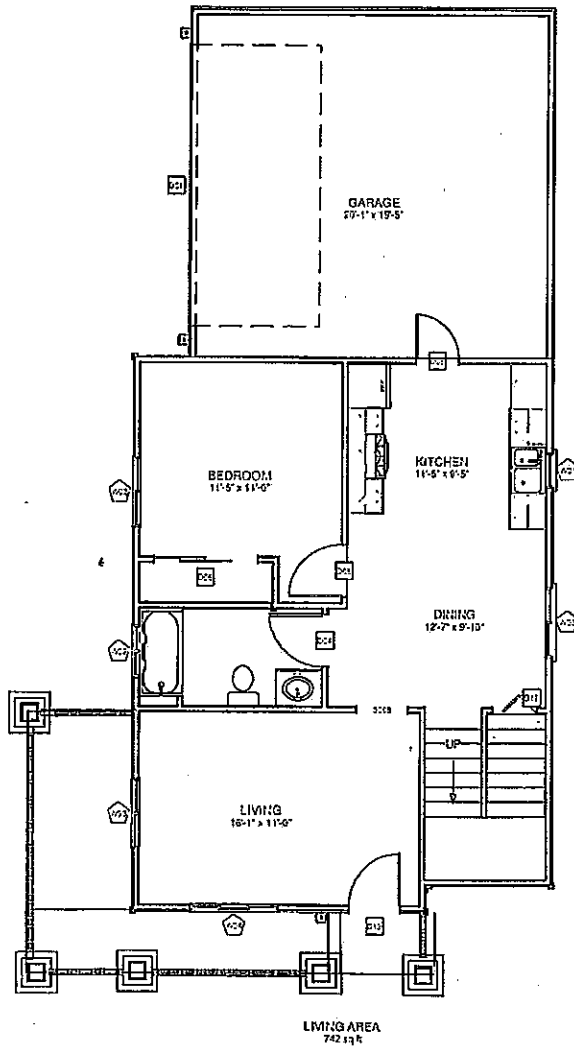
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Job No.	C - 101
Sheet:	Site Plan N of 14th

Washington HAP
Affordable Housing

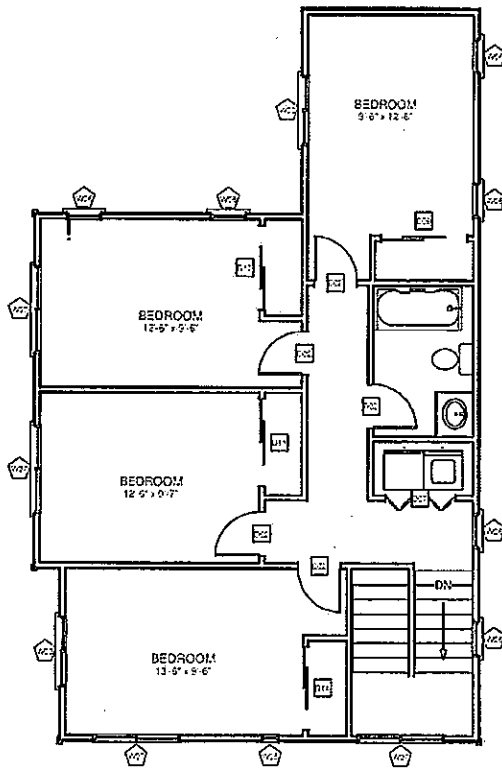
Pine and 14th Property

Long Beach, CA



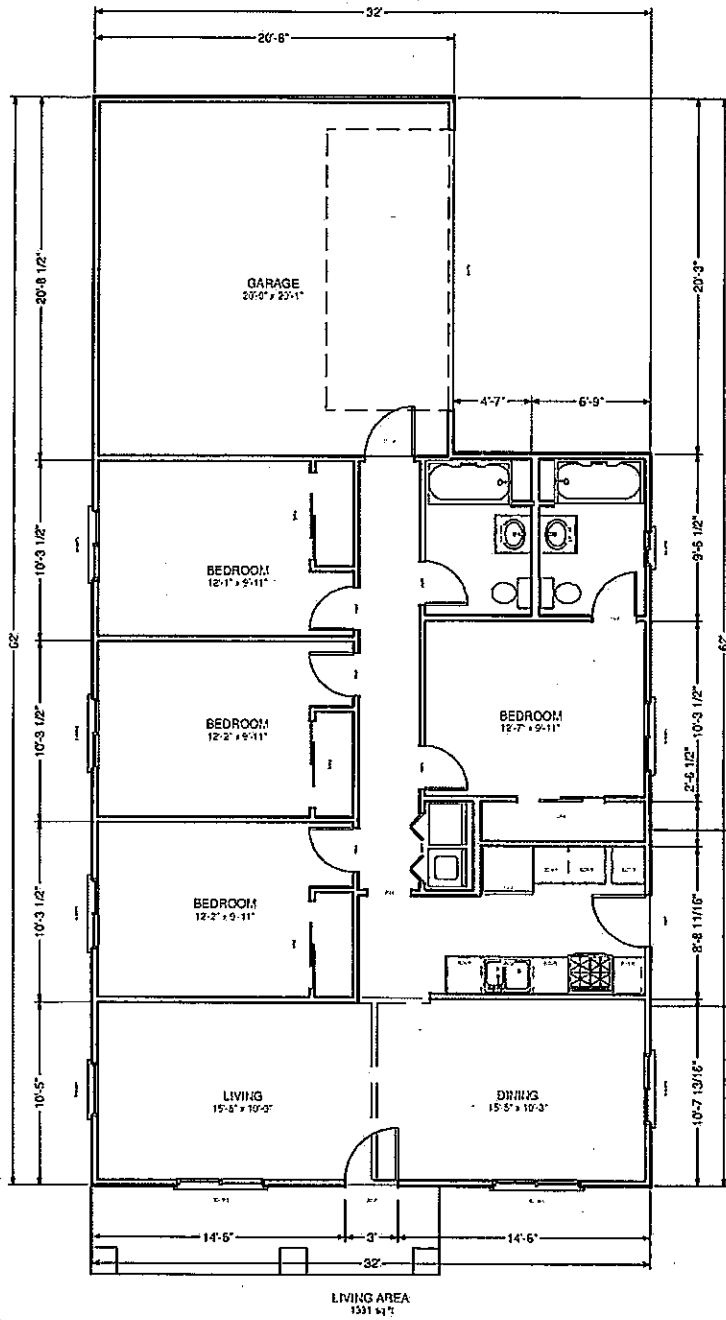


105 W 14TH
 FIRST FLOOR



LIVING AREA
755 sq. ft.

SECOND FLOOR



1411 PINE AVE