

TRANSMITTAL

To:

THE COUNCIL

Date: 3/11/2019

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garceiti', is written over the printed name.

ERIC GARCEITI
Mayor

(Ana Guerrero) for



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau

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February 28, 2019

Council File: 17-1352
Council Districts: Citywide
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
200 N. Spring Street,
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REPORT BACK ON THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT'S 2018 COMMUNITY REINVESTMENT ACT GRANT APPLICATION TO ONEWEST BANK, A DIVISION OF CIT BANK, N.A., FOR THE CITY'S LOW INCOME PURCHASE ASSISTANCE HOMEOWNERSHIP PROGRAM, AND REQUEST FOR AUTHORITY TO APPLY FOR A THIRD GRANT OF \$400,000 IN 2019

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA requests authority to accept and expend a 2018 Community Reinvestment Act (CRA) Grant of \$400,000 it received on December 12, 2018 from OneWest Bank, a division of CIT Bank, N.A., for the City's Low Income Purchase Assistance (LIPA) Homeownership Program.

HCIDLA will leverage the CRA grant funds with HCIDLA's LIPA Program. The LIPA Program provides purchase assistance to first-time, low-income homebuyers who purchase a home in the City of Los Angeles. The assistance will come in the form of a deferred-payment soft second loan to be used toward acquisition gap financing, the lender-required down payment, and closing costs. In combination with HCIDLA's LIPA Program funds, the 2018 \$400,000 CRA grant funds will assist approximately 28 low-income families.

Additionally, HCIDLA requests authority to apply for a 2019 CRA Grant application of \$400,000 to OneWest Bank, a division of CIT Bank, N.A., from the Bank's 2019 grant allocation. The 2019 CRA Grant application is due to OneWest Bank by September 6, 2019.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- A. Authorize the General Manager of HCIDLA, or designee, to accept and expend the 2018 Community Reinvestment Act Grant of \$400,000 awarded to HCIDLA on December 12, 2018 by OneWest Bank, a division of CIT Bank, N.A., for its LIPA Homeownership Program.
- B. Authorize the City Controller to:
 - 1. Appropriate \$400,000 into Account 43P647 LIPA- OneWest Bank Grant, within the HCIDLA Small Grants and Awards Fund No. 49N, for the Community Reinvestment Act Grant funds from OneWest Bank.
 - 2. Appropriate into Account 43P648 LIPA- OneWest Bank Loan Repayment, within Fund No. 49N, upon receipt of program income from loan repayments and shared appreciation.
 - 3. Expend funds from the above accounts upon proper written demand of the HCIDLA General Manager, or designee.
- C. Authorize the General Manager of HCIDLA, or designee, to submit an application for a 2019 Community Reinvestment Act Grant of \$400,000 to OneWest Bank, a division of CIT Bank, N.A., for the LIPA Homeownership Program.
- D. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any technical adjustments, consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and instruct the Controller to implement the instructions.

BACKGROUND

In December 2017, HCIDLA successfully applied for \$400,000 in CRA grant funds from OneWest Bank, a division of CIT Bank, N.A. HCIDLA received those funds in December 2017, and expended all of the grant funds with the LIPA Program funds to assist 28 low-income families to purchase their first homes. In November 2018, HCIDLA applied for a second CRA grant of \$400,000, and OneWest Bank renewed its grant to HCIDLA in December 2018.

HCIDLA's Homeownership Unit currently administers three programs designed to assist first-time, low- and moderate-income homebuyers to purchase a home and secure permanent housing in the City of Los Angeles. HCIDLA's programs assist eligible homebuyers with purchase assistance in the form of a subordinate "soft second" loan, which is used for down payment, closing costs, and acquisition gap financing. HCIDLA currently utilizes federal HOME Investment Partnerships Program (HOME) funds, Community Development Block Grant (CDBG) funds, and penalty fees from the Foreclosure Registry Program to fund the soft second loans. Additional financial support comes from the California Debt Limit Allocation Committee's (CDLAC) Single Family Home Mortgage Revenue Bond allocation for HCIDLA's Mortgage Credit Certificate (MCC) Program. The MCC Program provides a federal income

tax credit, enabling the homebuyer to qualify for a higher first mortgage, which in turn increases their purchasing power.

The homebuyer programs represent an essential component of the City's strategy to address neighborhood revitalization, community preservation, and protection from blight, decline, and property neglect. It also serves to increase the homeownership rate in the City. Interested homebuyers apply for program funds through HCIDLA's participating lenders, and obtain homebuyer education provided by the United States Department of Housing and Urban Development (HUD) and HCIDLA-approved housing counseling agencies.

To market the homeownership program, HCIDLA engages in various marketing and outreach activities throughout the year: 1) staff makes presentations and provides training sessions to lenders, realtors, and non-profit educational providers, and 2) staff provides training to the public by participating in homebuyer fairs, workshops, town hall meetings, and other important community events. Homeownership information is also posted on HCIDLA's website. Printed program information is made available in both English and Spanish, and disseminated to the public via City Council offices, City Libraries, Parks and Recreational Centers, Family Source Centers, HCIDLA's Public Counters, and through a vast network of Los Angeles' real estate professionals and lenders. Materials will also be available in Korean, Armenian, Tagalog, and Mandarin per HCIDLA's Language Access Plan. Department outreach, in combination with various training opportunities and support from real estate professionals, provides hundreds of residents each year with multiple ways to obtain first-time low- and moderate-income homebuyer program information.

OneWest Bank Community Reinvestment Act Grant

The Community Reinvestment Act (CRA) was enacted by the United States Congress in 1977 to encourage depository institutions to help meet the credit needs of communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. OneWest Bank, a division of CIT Bank, N.A. headquartered in Pasadena, California, provides grants to non-profit organizations and governmental agencies that provide community development activities for low- or moderate-income individuals. OneWest Bank defines community development activities as affordable housing, essential community services, economic development, and activities that revitalize or stabilize low- or moderate-income areas, or distressed or underserved middle-income geographies. OneWest Bank provides grants aligned to the goals and objectives outlined in their CRA Plan.

Low Income Purchase Assistance (LIPA) Program

In order to stretch HCIDLA's homebuyer program funds and assist more low-income homebuyers to purchase homes in the city, HCIDLA proposes to leverage the CRA Grant funds with the LIPA Program funds. The LIPA loan maximum is currently set at up to \$90,000, and assists households with incomes up to 80% of the Area Median Income (AMI). The LIPA loan carries zero interest; however, has a shared appreciation component, which is a ratio of the City's loan amount to the home purchase price. The loan, along with the shared appreciation amount, is due upon sale of the home, title transfer, first mortgage repayment, or at the end of 30 years as a balloon payment. Attachment A to this report provides a description of the LIPA Program features and requirements, and Attachment B provides a summary of the LIPA Program loans funded by Council District, covering the last five calendar years.

The 2018 low-income limits, established by HUD, are as follows:

HUD 2018 Low-income Limits								
Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
Annual Household Income Limit	\$54,250 or less	\$62,000 or less	\$69,750 or less	\$77,500 or less	\$83,700 or less	\$89,900 or less	\$96,100 or less	\$102,300 or less

2019 CRA Grant Application

Upon Council and Mayor approval to apply for the 2019 grant allocation, and if awarded, HCIDLA anticipates using the 2019 CRA Grant funds of \$400,000 to assist approximately 28 low-income first-time homebuyer households. HCIDLA proposes utilizing the CRA Grant by combining up to \$75,000 in LIPA Program funds, with up to \$15,000 in CRA Grant funds per household, to equal a total LIPA loan amount of up to \$90,000 per household.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to accept and expend the 2018 CRA Grant funds received, thereby assisting more homebuyers and apply for a 2019 CRA Grant for the LIPA Program.

Prepared By:



GLORIA TORRES
Finance Development Officer II

Reviewed By:



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LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS:

Attachment A - LIPA Program Description

Attachment B - LIPA Program Loans Funded by Council District (2014-2018)

Attachment A
City of Los Angeles
Low Income Purchase Assistance (LIPA) Program

The Low Income Purchase Assistance (LIPA) Program helps first-time, low-income homebuyers purchase homes in the City of Los Angeles by providing loans to cover the down payment, closing costs, and acquisition.

The City's homeownership program funds are leveraged with private mortgage financing and other assistance programs to achieve the maximum purchasing power for the homebuyer. The LIPA Program provides purchase assistance loans of up to \$90,000 for households earning up to 80% Area Median Income (AMI). LIPA loans have a zero percent interest rate and are due upon sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment. The loan contains a shared appreciation provision based on a ratio of the loan amount to the purchase price. Borrowers are required to pay the principal and the percentage share of appreciation upon LIPA loan repayment.

The program features and requirements are detailed below:

Homebuyer Eligibility:

- First-time homebuyers who have not had an ownership interest in any real property in the past three years
- U.S. Citizens, Lawful Permanent Residents, or other Qualified Aliens
- Household income must be within program limits
- Minimum 1% down payment from borrower's own funds
- Homebuyer must occupy home as primary residence
- Completion of eight-hours of in-person homebuyer education course from an approved education provider

LIPA Loan Features:

- Loan up to \$90,000
- Zero Percent (0%) interest rate
- Deferred – requiring no monthly payments
- Shared appreciation provision in which the City will share a certain percentage of the appreciation in the value of the property
- Loan with shared appreciation is due on sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment

Property Eligibility:

- Home must be located in the City of Los Angeles
- Home must pass HCIDLA property inspection
- 1-unit, single-family homes including condominiums and townhouses
- Properties cannot be tenant-occupied, unless the tenant is the prospective homebuyer
- Home purchase price must be within current program limits:
 - Single Family Homes: \$522,500
 - Condominiums and Townhomes: \$457,900

2018 Maximum Income Limits

Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
Annual Household Income Limit	\$54,250 or less	\$62,000 or less	\$69,750 or less	\$77,500 or less	\$83,700 or less	\$89,900 or less	\$96,100 or less	\$102,300 or less

Attachment B
Low Income Purchase Assistance (LIPA) Program Loans
Funded by Council District
January 1, 2014 - December 31, 2018 (Five Calendar Years)

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Total Assistance Amount
1	2	0.63%	\$120,000	0.65%
2	4	1.27%	\$240,000	1.30%
3	30	9.49%	\$1,825,923	9.93%
4	1	0.32%	\$60,000	0.33%
5	0	0.00%	\$0	0.00%
6	51	16.14%	\$3,071,495	16.70%
7	60	18.99%	\$3,513,501	19.10%
8	66	20.89%	\$3,681,172	20.01%
9	28	8.86%	\$1,461,921	7.95%
10	0	0.00%	\$0	0.00%
11	1	0.32%	\$60,000	0.33%
12	15	4.75%	\$922,663	5.02%
13	0	0.00%	\$0	0.00%
14	7	2.22%	\$445,390	2.42%
15	51	16.14%	\$2,992,556	16.27%
Total	316	100.00%	\$18,394,621	100.00%

