

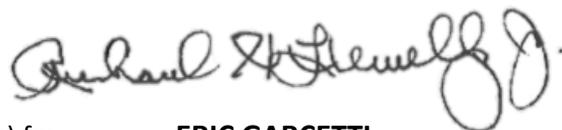
## TRANSMITTAL

To: **THE COUNCIL**

Date: **08/16/21**

From: **THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

A handwritten signature in black ink, appearing to read "Eric Garcetti". The signature is fluid and cursive, with a large loop at the end.

(Rich Llewellyn) for

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Ann Sewill, General Manager

Housing Development Bureau  
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July 22, 2021

Council File: 17-1352  
Council Districts: Citywide  
Contact Persons: Ryan Ellefson (213) 808-8836  
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Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REPORT BACK REGARDING THE 2021 COMMUNITY REINVESTMENT ACT GRANT APPLICATION TO CIT BANK, N.A., FOR THE CITY'S LOW INCOME PURCHASE ASSISTANCE HOMEOWNERSHIP PROGRAM, AND REQUEST FOR AUTHORITY TO APPLY FOR A SIXTH GRANT OF \$400,000 IN 2022**

**SUMMARY**

The General Manager of the Los Angeles Housing Department (LAHD), formerly 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, LAHD seeks approval, and requests authority to accept and expend a 2021 Community Development Grant of \$300,000 received in May 2021 from CIT Bank, N.A., for the City's Low Income Purchase Assistance (LIPA) Homeownership Program.

LAHD will leverage the CIT Bank Grant funds with LAHD's LIPA Program funds. 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 LAHD's LIPA Program funds, the 2021 \$300,000 grant funds will assist approximately 20 low-income families.

Additionally, LAHD requests authority to apply for a 2022 Community Development Grant of \$400,000 from CIT Bank's 2022 grant allocation. The 2022 Community Development Grant application is due to CIT Bank by April 1, 2022.

**RECOMMENDATIONS**

I. That the Mayor review this transmittal and forward to the City Council for further action;

- II. That the City Council, subject to the approval of the Mayor:
- A. AUTHORIZE the General Manager of LAHD, or designee, to accept and expend the 2021 Community Development Grant of \$300,000 awarded to LAHD by CIT Bank, N.A., for its LIPA Homeownership Program;
  - B. AUTHORIZE the City Controller to:
    - i. Appropriate \$300,000 into Account 43P647 LIPA - OneWest Bank Grant, within the LAHD Small Grants and Awards Fund No. 49N, for the Community Development Grant funds from CIT Bank;
    - ii. Appropriate into Account 43P648 LIPA - OneWest Bank Loan Repayment, within Fund No. 49N, upon receipt of program income from loan repayments and shared appreciation;
    - iii. Expend funds from the above accounts upon proper written demand of the LAHD General Manager, or designee;
  - C. AUTHORIZE the General Manager of LAHD, or designee, to submit an application for a 2022 Community Development Grant of \$400,000 to CIT Bank, N.A., for the LIPA Homeownership Program; and,
  - D. AUTHORIZE the General Manager of LAHD, or designee, to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and instruct the Controller to implement the instructions.

## **BACKGROUND**

Prior to the current grant, LAHD has successfully applied for \$1,600,000 in grants from CIT Bank for the LIPA Program. See Table 1, below:

<b>Month/Year</b>	<b>Amount</b>
December 2017	\$400,000
December 2018	\$400,000
September 2019	\$400,000
August 2020	\$400,000
<b>Total</b>	<b>\$1,600,000</b>

Of the combined total grant funds, 91% have been fully expended by LAHD thus far, assisting 99 low-income families in purchasing their first homes under the LIPA Program. The remainder of the grant funds are reserved for transactions currently in escrow. In April 2021, LAHD applied for a fifth grant and was subsequently awarded \$300,000 by CIT Bank in May 2021, which will bring the grand total to \$1,900,000.

### **CIT Bank Community Development Grant**

The Community Development Grant is offered by CIT Bank, N.A. headquartered in Pasadena, California, and provides grants on annual, invitation-only basis to non-profit organizations and governmental

agencies that mainly provide community development services in the bank’s assessment areas such as Los Angeles. CIT Bank defines community development activities as affordable housing, essential community services, economic development, and activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved middle-income geographies. CIT Bank, at its sole discretion, determines the grant amount award which has been approved by their Executive Committee.

**Low Income Purchase Assistance (LIPA) Program**

In order to stretch LAHD’s homebuyer program funds and assist more low-income families to purchase homes in the city, LAHD proposes to leverage the 2021 CIT Bank Grant funds with the LIPA Program funds. The LIPA loan maximum is 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, it 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 fiscal years.

The 2021 low-income limits, as established by HUD, are as follows:

HUD 2021 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	\$66,250 or less	\$75,700 or less	\$85,150 or less	\$94,600 or less	\$102,200 or less	\$109,750 or less	\$117,350 or less	\$124,900 or less

**2022 CIT Bank Community Development Grant Application**

Upon City Council and Mayor approval to apply for the 2022 grant allocation, and if awarded, LAHD anticipates using the 2022 CIT Bank Community Development Grant funds of \$400,000 to assist approximately 27 low-income first-time homebuyer households. LAHD proposes utilizing the CIT Grant by combining up to \$75,000 in LIPA Program funds, with up to \$15,000 in CIT Bank Grant funds per household, to equal a total LIPA loan amount of up to \$90,000 per household.

**FISCAL IMPACT**

There is no impact to the General Fund. The recommendations in this report will authorize LAHD to accept and expend the 2021 CIT Bank Community Development Grant of \$300,000 to assist more low-income homebuyers and apply for a 2022 CIT Bank Community Development Grant of \$400,00 for the LIPA Program.

Approved By:



ANN SEWILL  
General Manager  
Housing+Community Investment Department

ATTACHMENTS:

Attachment A: LIPA Program Description  
Attachment B: LIPA Loans Funded per CD

**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 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 8 hours of a homebuyer education course and housing counseling provided by 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 LAHD 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 (adjusted annually per HUD rules):
  - Single Family Homes: \$745,750
  - Condominiums and Townhomes: \$513,000

**2021 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	\$66,250 or less	\$75,700 or less	\$85,150 or less	\$94,600 or less	\$102,200 or less	\$109,750 or less	\$117,350 or less	\$124,900 or less

## ATTACHMENT B

### Low Income Purchase Assistance (LIPA) Loans Funded by Council District July 1, 2016 - June 30, 2021 (Past 5 Fiscal Years)

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Assistance Amount
1	6	1.88%	\$525,766	2.12%
2	7	2.19%	\$562,661	2.27%
3	42	13.17%	\$3,380,322	13.64%
4	3	0.94%	\$240,000	0.97%
5	7	2.19%	\$612,792	2.47%
6	56	17.55%	\$4,180,039	16.87%
7	59	18.50%	\$4,353,080	17.57%
8	30	9.40%	\$2,366,117	9.55%
9	24	7.52%	\$1,783,754	7.20%
10	6	1.88%	\$530,894	2.14%
11	0	0.00%	\$0	0.00%
12	13	4.08%	\$946,438	3.82%
13	1	0.31%	\$90,000	0.36%
14	7	2.19%	\$555,674	2.24%
15	58	18.18%	\$4,647,435	18.76%
<b>Total</b>	<b>319</b>	<b>100.00%</b>	<b>\$24,774,972</b>	<b>100.00%</b>

### LIPA Loans Funded by Council District

