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City of Los Angeles



Eric Garcetti, Mayor

September 15, 2022

LOS ANGELES HOUSING DEPARTMENT

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Council File: 17-1352
Council Districts: Citywide
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT'S REPORT BACK REGARDING THE 2022 COMMUNITY DEVELOPMENT GRANT APPLICATION TO FIRST CITIZENS BANK, FOR THE CITY'S LOW INCOME PURCHASE ASSISTANCE HOMEOWNERSHIP PROGRAM, AND REQUEST FOR AUTHORITY TO APPLY FOR A SEVENTH GRANT OF \$400,000 IN 2023

SUMMARY

In reference to the Mayor and City Council's instruction (CF No. 17-1352) to report back on the Community Development Grant award by the First Citizens Bank (who merged with CIT Bank, N.A., in January 2022), the General Manager of the Los Angeles Housing Department (LAHD) respectfully requests authority to accept and expend a 2022 Community Development Grant of \$300,000 received in August 2022 from First Citizens Bank for the City's Low Income Purchase Assistance (LIPA) Homeownership Program.

LAHD will leverage the First Citizens 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 2022 \$300,000 grant funds will assist approximately 20 low-income families.

Additionally, LAHD requests authority to apply for a 2023 Community Development Grant of \$400,000 from First Citizens Bank's 2023 grant allocation. The 2023 Community Development Grant application is due to First Citizens Bank by April 1, 2023.

RECOMMENDATIONS

I. 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 2022 Community Development Grant of \$300,000 awarded to LAHD by First Citizens Bank, 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 First Citizens 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 2023 Community Development Grant of \$400,000 to First Citizens Bank, 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 \$1,900,000 in grants from First Citizens Bank for the LIPA Program. See Table 1, below:

TABLE 1, Previous FIRST CITIZENS BANK Grants to LAHD	
Month/Year	Amount
December 2017	\$400,000
December 2018	\$400,000
September 2019	\$400,000
August 2020	\$400,000
May 2021	\$300,000
Total	\$1,900,000

Of the combined total grant funds, 93% have been fully expended by LAHD thus far, assisting 120 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 May 2022, LAHD applied for a sixth grant and was subsequently awarded \$300,000 by First Citizens Bank in August 2022, which will bring the grand total to \$2,200,000.

First Citizens Bank Community Development Grant

The Community Development Grant is offered by First Citizens Bank headquartered in Raleigh, North Carolina, and provides grants on an 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. First Citizens 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. First Citizens 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 2022 First Citizens Bank Grant funds with the LIPA Program funds. The LIPA loan maximum is up to \$140,000, 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 2022 low-income limits, as established by HUD, are as follows:

HUD 2022 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	\$66,750 or less	\$76,250 or less	\$85,800 or less	\$95,300 or less	\$102,950 or less	\$110,550 or less	\$118,200 or less	\$125,800 or less

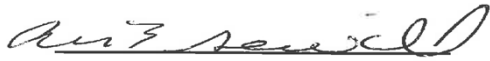
2023 First Citizens Bank Community Development Grant Application

Upon Council and Mayor approval to apply for the 2023 grant allocation, and if awarded, LAHD anticipates using the 2023 First Citizens Bank Community Development Grant funds of \$400,000 to assist approximately 27 low-income first-time homebuyer households. LAHD proposes utilizing the First Citizens Bank Grant by combining up to \$125,000 in LIPA Program funds, with up to \$15,000 in First Citizens Bank Grant funds per household, to equal a total LIPA loan amount of up to \$140,000 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 2022 First Citizens Bank Community Development Grant of \$300,000 to assist more low-income homebuyers and apply for a 2023 First Citizens Bank Community Development Grant of \$400,00 for the LIPA Program.

Approved By:

A handwritten signature in dark ink, appearing to read "Ann Sewill", written over a horizontal line.

ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENTS:

LIPA Program Description

LIPA Loans Funded by Council Districts from July 1 2017 to June 30 2022

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 \$140,000 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 the program limits
- Minimum 1% down payment from the borrower's own funds
- Homebuyer must occupy the home as their primary residence
- Homebuyer must complete 8 hours of a homebuyer education and housing counseling provided by an LAHD and HUD-approved homebuyer education provider

LIPA Loan Features:

- Loan up to \$140,000
- 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 the 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: \$973,750
 - Condominiums and Townhomes: \$593,750

2022 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	\$66,750 or less	\$76,250 or less	\$85,800 or less	\$95,300 or less	\$102,950 or less	\$110,550 or less	\$118,200 or less	\$125,800 or less

Attachment B

Low Income Purchase Assistance (LIPA) Program Loans Funded by Council Districts July 1, 2017 - June 30, 2022 (Past 5 Fiscal Years)

CD	Loans Funded	Percent of Total Loans Funded	Total Assistance Amount	Percent of Assistance Amount
1	5	1.70%	\$435,766	1.83%
2	8	2.72%	\$652,052	2.73%
3	41	13.95%	\$3,440,819	14.42%
4	5	1.70%	\$419,956	1.76%
5	8	2.72%	\$702,206	2.94%
6	48	16.33%	\$3,822,858	16.03%
7	49	16.67%	\$3,829,230	16.05%
8	25	8.50%	\$2,022,539	8.48%
9	22	7.48%	\$1,721,931	7.22%
10	6	2.04%	\$530,894	2.23%
11	0	0.00%	\$0	0.00%
12	13	4.42%	\$975,880	4.09%
13	3	1.02%	\$270,000	1.13%
14	7	2.38%	\$555,674	2.33%
15	54	18.37%	\$4,474,787	18.76%
Total	294	100.00%	\$23,854,592	100.00%

LIPA Program Loans Funded by Council District

