

**City of Culver City, California
Agenda Item Report**

Meeting Date: 06/13/2011		Item Number: <u>J-2</u>	
CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: 1) Selection of Habitat for Humanity of Greater Los Angeles for the Development of the Agency-Owned Site Located at 4044-4068 Globe Avenue for Low and Moderate Income Ownership Housing; and 2) Direct Staff to Negotiate the Terms and Conditions of an Exclusive Negotiation Agreement for the Preparation and Execution of a Disposition and Development Agreement.			
Contact Person/Dept.: Tevis Barnes/ John Fisanotti		Phone Number: (310) 253-5782 (310) 253-5767	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (USPS) All Property Owners and Occupants Within a 500 Foot Radius of the Site (approximately 200 recipients) (05/23/11 and 06/06/11); (E-Mail) Meetings and Agendas – City Council (06/08/11); Meetings and Agendas - Redevelopment Agency (06/08/11); Posting of Site (05/23/11)			
Department Approval: Sol Blumenfeld: (06/01/11)		Agency General Counsel Approval: Murray Kane: (06/02/11)	
Chief Financial Officer Approval: Jeff Muir (06/08/11)		City Manager/Executive Director Approval: John Nachbar (06/08/11)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council and Culver City Redevelopment Agency Board (Agency Board): 1. Select Habitat for Humanity for Greater Los Angeles (Habitat) for the development of 4044-4068 Globe Avenue (Globe Property) for low- and moderate-income ownership housing; and, 2. Direct staff to negotiate the terms and conditions of an Exclusive Negotiation Agreement (ENA) for the preparation and execution of a Disposition and Development Agreement (DDA). <u>BACKGROUND:</u> In 2005, the Culver City Redevelopment Agency (Agency) purchased the Globe Property from the California Department of Transportation (Caltrans) for \$3.1 million. The properties had been acquired by Caltrans for the purpose of widening the 405 Freeway. Pursuant to Government Code Section 54235, Caltrans was (and remains) required to dispose of surplus residential property at less than fair market			

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value to a housing entity that will use the property for low- and moderate- income housing purposes. Consistent with the requirements of California Redevelopment Law, Agency Housing Set Aside Funds were utilized to purchase the Globe Property.

The proposed development is consistent with the Agency Board approved Comprehensive Housing Strategy (CHS)¹ and facilitates meeting the Agency's obligation to expend the Housing Set Aside Fund and the City's obligations under the Regional Housing Needs Assessment (RHNA).²

DISCUSSION:

Request for Proposals

On November 22, 2010, the Agency Board authorized the release of a Request for Proposals (RFP) to solicit qualified housing developers for the Globe Property. The RFP sought developers to develop, market, and monitor quality ownership housing designed to complement the existing surrounding neighborhood. The RFP requirements include demonstrated experience in multi-family ownership housing projects. Once identified, staff recommends the Agency and City enter into an ENA with the selected developer for the purpose of negotiating a DDA for the purchase and development of the site. The RFP submission deadline was 5:00 pm January 20, 2011. The Agency received proposals from the following two developers:

- City Ventures
- Habitat for Humanity of Greater Los Angeles

Proposals were evaluated utilizing the below criteria. The maximum total points a proposal could receive was 100.

- | | |
|---|----------------|
| • Developer Experience | 25 |
| • Project Financing: Feasibility | 25 |
| • Project Design and Neighborhood Consistency | 20 |
| • Outreach | 5 |
| • Marketing/Selection/Monitoring | 25 |
|
• Total points |
100 |

Community Development Department staff evaluated the proposals and recommends the City Council and Agency Board select Habitat for Humanity of Greater Los Angeles based upon the following:³

1. Extensive experience with developing ownership housing for and working with low- to moderate-income first-time home buyers;

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2. Strong experience with community engagement and outreach which includes securing community partners and includes inviting local residents to be a part of the homebuyer selection process by serving on the Family Selection Committee;
3. Extensive homebuyer selection process which requires income eligibility and credit worthiness, background screening, housing needs assessment, in-home evaluations, and the requirement of 500 hours of sweat equity by the homebuyer in constructing their own home;
4. In-house mortgage lending program where Habitat acts as the lender;
5. Internal home buyer education program;
6. Commitment to eco-friendly and sustainable building technologies; and,
7. Property management and Homeowners' Association development experience.

Proposed Project

The proposed project is 12 affordable townhome units (6 duplexes) for ownership. The area is zoned R-2 and each lot accommodates one duplex. The townhome driveways retain as much street parking as possible, and the Proposed Project maintains the existing street trees. The townhomes will have two different floor plans, 4 bedrooms – 2.5 bathrooms, or 3 bedrooms – 2.5 bathrooms. All homes will be two stories with the living space and a 2 car tandem garage on the first floor, and the bedrooms on the second floor. One of the units will be fully accessible with a downstairs bedroom and full bathroom. All homes will incorporate energy saving appliances and will be constructed using sustainable materials and environmentally-friendly building practices. The homes will be built to the LEED Silver residential standard and will be at least 10% more efficient than Title 24 requirements. A Tentative Tract Map and a Comprehensive Plan will be processed as part of the entitlement process.

Six of the homes will be sold to low-income buyers (50%-80% Area Median Income) and six of the homes will be sold to moderate-income buyers (less than 120% of Area Median Income). The location of the low- and moderate-income units will be mixed throughout the development. The low-income buyers will purchase the property using a zero interest loan provided by Habitat. The moderate-income buyers will be provided a list of lenders working with Habitat and will also receive assistance with the mortgage lending process. Each home will carry a 45-year affordability restriction (per California Redevelopment Law).

If selected, Habitat will be the building contractor for the project. As the City Council and Agency Board may be aware, Habitat is noted for utilizing volunteer labor in the construction of homes. Additionally, the families selected to purchase the homes will be required to contribute 500 "sweat equity" hours toward the construction of their home and/or other Habitat for Humanity homes.

Affordability Mix

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The affordability mix of the proposed Habitat Globe Project will include six low-income units designated for households at 50%-80% of area median income (AMI) (up-to \$59,560 for a family of four) and six moderate-income households at 81%-120% of AMI (up-to \$75,600 for a family of four). Each of the submitted proposals was reviewed by the Agency's financial analyst, Keyser Marston and Associates (KMA). The KMA analysis of the proposed Habitat Globe Site Project did not note any financial concerns, however, as initially proposed by Habitat, the six units reserved for the lower level of affordability were proposed to be sold to those households earning no more than 60% AMI. This is just 10% above the defined level for low-income households (defined 50% to 80% AMI). At this level, KMA expressed concern about a household's ability to fund long term maintenance, and to fund unexpected and unbudgeted emergency repairs.

Habitat has since agreed to modify certain terms from the initial proposal to restrict eligible households for the lower level units to households earning 50% to 80% AMI to address the above concern. In addition, the City and Agency will also take the following steps to assure each future Globe Project homeowner is a successful homeowner and properly maintains their home.⁴

- Staff will participate on the screening panel to review all purchase applications;
- The Affordability Covenant Agreement will require the Agency be notified of both homeowner delinquency and default on mortgage payments and Homeowners Association (HOA) dues;
- The City and Agency will have first right of refusal to purchase any home that may go into foreclosure. The home would be resold to another income eligible up-to-moderate income household;
- The City and Agency will have a right to attend all HOA meetings and to receive notification of all scheduled meetings and their minutes;
- The City and Agency will have final approval of all the project design and construction materials to assure quality construction that will be durable and result in the long-life of all building systems;
- The proposed project will be linked to the Neighborhood Preservation Program (NPP) which provides interior and exterior rehabilitation grants to up-to-moderate income households to help prevent deferred maintenance;
- All subsequent buyers must be income eligible up-to-moderate income.

Additionally, Habitat is recommended as the developer for the Globe Project based on their extensive experience screening for readiness and educating first-time home buyers the responsibilities of homeownership and neighborhood expectations.

FISCAL ANALYSIS:

The total project budget is \$3,708,000. Habitat is seeking the donation of the property and \$158,550 per unit for each low income unit, and \$47,100 per unit for each moderate income unit. Habitat is proposing that the units be split equally

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between moderate and low income buyers (6 each). So the total amount of subsidy requested from the City and Agency is \$1,233,900. Habitat will draw project funding from three other sources: 1) Corporate/Faith Sponsorship, 2) the Federal Home Loan Bank Affordable Housing Program (AHP) Program, and the SHOP program. Corporate/Faith Sponsorship are grants funds that are awarded Habitat. These sponsors also will participate in building the homes. The Federal AHP is a down payment assistance program that provides \$20,000 per unit toward the purchase of the home. One fifth of the loan is forgiven each year for five years. The SHOP program is a US Department of Housing and Urban Development (HUD) funded grant that is administered through Habitat for Humanity International. The program funds projects with a "self-help" component (the future buyer helps build their home).

A summary of the proposed source of funds for the project follows:

Corporate/Faith Sponsorship	\$692,700
Mortgage Revenue	\$1,511,400
Affordable Housing Program	\$180,000
Culver City/Redevelopment Agency	\$1,233,900 (plus the land)
SHOP	<u>\$90,000</u>
Total	\$3,708,000

The Agency purchased the Globe Avenue Properties from Caltrans in 2005 for \$3.1 million. The Housing Set Aside Fund (Account Number 48297410.613100) will be used to support the development of the proposed Globe Avenue project. At the beginning of Fiscal Year 2010/2011, there was a little more than \$17,000,000 of Housing Set Aside Funds available. The Housing Set Aside Fund cash flow over the next five fiscal years can support the proposed Globe Avenue project. The proposed project will require various City and Agency approvals and extensive outreach to the surrounding neighborhood. If approved, during the ENA negotiation process, KMA will review the project pro forma and site plans to determine the financial viability of the proposed project and the approximate amount of City/Agency financial assistance.

ATTACHMENTS:

1. Copy of the Globe RFP
2. City Ventures Proposal
3. Habitat for Humanity of Greater Los Angeles Proposal

MOTION:

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That the City Council and Agency Board:

1. Select Habitat for Humanity of Greater Los Angeles as the Developer of 4044-4068 Globe Avenue for Low and Moderate Income ownership housing; and
2. Direct staff to negotiate the terms and conditions of an Exclusive Negotiation Agreement for the preparation and execution of a Disposition and Development Agreement.

NOTES:

1. In March 2008, the Agency Board reviewed and approved the implementation of Years 1-2 of the Comprehensive Housing Strategy (CHS). The CHS intends to improve the City's affordable housing stock and meet housing production requirements under the Regional Housing Needs Assessment (RHNA) through the use of Redevelopment Agency Housing Set Aside Funds. The purpose of the Housing Set Aside Fund is to "preserve, improve and increase the supply of affordable housing" (Health and Safety Code Section 33334.2(a)).

Culver City's RHNA requirement over the next 7 years is 504 housing units, with 294 units designated for very-low, low and moderate income households.

The CHS is based on the concept of mixed-income, low-density, scattered site affordable housing developments. Based upon the RHNA requirements, the City must annually develop approximately 17 units of very-low income, 10 units of low-income and 11 units of moderate income housing. During the last RHNA cycle, the City only produced 29% of its allocation of 650 units. Since 2000, the City, on average, only creates 8.1 units of multi-family housing per year and has only created twenty-three (23) units of affordable housing.

Regional Housing Needs Assessment Goals for Culver City

Number of Units	Income Category	% of Area Median Income*	Max. Income Limits+
129	Very-low	50	\$\$41,400
80	Low	80	\$\$66,250
85	Moderate	120	\$\$75,600
211	Above Moderate (Market)	Above 120	Unrestricted

***2010 Los Angeles Median Income = \$63,000**

+Income Limits based upon a household size of four (4) persons

2. Under RHNA, over the next seven years, the City must create 504 units of housing with 294 of those units being designated for very-low, low and moderate households. The Agency-owned site located at 4044-4068 Globe Avenue is one of three sites identified under Years 1-2 of the CHS . The housing production sites approved for implementation under Years 1 -2 of the CHS are depicted in the chart below. These sites have the potential to yield 73 units which include 56 units designated for very-low, low and moderate income households. On July 26, 2010, the Agency Board approved an Affordable Housing Agreement for the development of the 4043 Irving Site. This project will yield 28 units of housing with 12 units of affordable housing. On March 21, 2011, the Board approved a Disposition and Development Agreement (DDA) for the development of 32 units of very-low, low and moderate income affordable housing units and 10,700 sq/ft of commercial space with Los Angeles Housing Partnership.

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CHS – Years 1 – 2

SITE	UNITS	HOUSING TYPE	AFFORDABILITY
4044-4068 Globe Avenue	12	Townhomes/ Ownership	8 moderate 4 low
4043 Irving Place*	28	Rental Housing Units	16 market 9 moderate 3 low
11042- 11056 Washington Blvd.	33	Mixed-use/Rental	12 moderate 6 low 14 very low 1 manager
Total	73		16 market 29 moderate 13 low 14 very low

*Replaces 4075 Lafayette

3. Habitat for Humanity International is the largest non-profit home builder in the United States. Its most noted volunteer and spokesperson is former President Jimmy Carter. Habitat was formed on July 1, 1990 and has constructed and rehabilitated over 360 homes in Los Angeles County and 300 homes internationally. Based on a philosophy of involving the local community in their projects, Habitat engages over 10,000 volunteers annually. Habitat has raised \$30 million dollars in private donations and sponsorships and been awarded \$50 million dollars in Federal, State and local funding. Currently, they hold approximately \$18 million in assets. Uniquely, Habitat also acts as a mortgage lender and provides in-house no-interest mortgages to very-low and low income home buyers. Through their in-house mortgage lending program, 200 mortgages have been issued with a default rate of less than 1% within the past 20 years. The revenue from these loans is use to fund additional loans. In 1995 and 2007, Habitat hosted two *Jimmy Carter Work Projects*, the marquee annual building event for Habitat for Humanity International, drawing thousands of people from around the world into greater Los Angeles to build affordable homes. In 2000, Habitat, created the *Hollywood for Habitat for Humanity* program where celebrities, athletes, and entertainment industry employees build homes locally and internationally.
4. Homeownership at all income levels creates wealth and stability for the homeowner and creates strong communities. There is limited information that supports low-income homeowners inability to maintain their homes and there are numerous examples of successful homeownership projects which include very-low and low-income homeowners throughout California.