



City of Culver City

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Staff Report

File #: 18-0444, **Version:** 1

Item #: A-4.

HA - Approval of an Amendment to the Amended and Restated Disposition, Development and Loan Agreement with Habitat for Humanity of Greater Los Angeles for the Development of 10 Ownership Affordable and Workforce Units

Meeting Date: November 6, 2017

Contact Person/Dept: Tevis Barnes/CDD-Housing

Phone Number: (310)253-5782

Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☒

Public Hearing: ☐ **Action Item:** ☒ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (11/01/17);

Department Approval: Sol Blumenfeld, Community Development Director (10/30/17)

RECOMMENDATION:

Staff recommends the Culver City Housing Authority Board ("Board") approve the First Amendment to the Amended and Restated Disposition, Development and Loan Agreement with Habitat for Humanity of Greater Los Angeles for the development of 10 affordable and workforce ownership housing units.

BACKGROUND:

The Culver City Housing Authority (the "Authority") and Habitat for Humanity of Greater Los Angeles ("Habitat") entered into a Disposition, Development and Loan Agreement (the "Original DDA") on January 30, 2012 for the Globe affordable housing project (the "Project"). On December 14, 2015, the Authority and Habitat replaced the Original DDA by entering into an Amended and Restated Disposition, Development and Loan Agreement for the Project (the "Amended and Restated DDA"). Under the Amended and Restated DDA, Habitat is required to construct 10 ownership housing (4 Low Income, 4 Moderate Income and 2 Workforce Housing) units and sell four of them to "Low Income" homebuyers at an "Affordable Housing Cost". In both the Original DDA and the Amended and Restated DDA, the definition of "Affordable Housing Cost" for Low Income homebuyers was

defined as a “housing cost that does not exceed the product of 30% times 70% of Area Median Income (AMI) adjusted for family size appropriate to the unit”.

DISCUSSION:

Following a blind multi-level process, Habitat selected the proposed Low Income homebuyers for the four Low Income units. Applying the contractual definition of Affordable Housing Cost to these households, some unexpected results were obtained: while the goal generally is for housing costs to adhere to the federal standard for housing affordability and not to exceed 30% of a household’s income, the majority of the Low Income households here are allowed to pay only 25% (or less) of their income. This limitation on how much a Low Income household may contribute monthly requires Habitat to pay more than anticipated, potentially impacting the viability of the Project.

This anomaly in the allowable Low Income household contribution is peculiar to Los Angeles County. In 2017, unlike the other 57 counties in California, where the maximum allowable income for a Low Income household is LESS than the average income in that county, in Los Angeles County, the maximum allowable income for a Low Income household is MORE than the average income in the county, per tables published by the California Department of Housing and Community Development. For example, in Riverside County, for a family of four, the average annual income is \$65,000, and the maximum annual income for a Low Income household is \$53,600, approximately 82% of the average; however, in Los Angeles County, for a family of four, the annual average income is \$64,800, and the maximum annual income for a Low Income household is \$72,100, approximately 111% of the average. The Los Angeles County anomaly has existed in previous years, but never to such a degree.

As a result, Habitat has requested that the parties amend the definition of “Affordable Housing Cost” in the Amended and Restated DDA to include an optional alternate calculation applicable to some Low Income homebuyers set forth in the California Health and Safety Code. Specifically, Section 50052.5(a) states, in part, that “For any lower income household that has a gross income that equals or exceeds 70 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable housing cost not exceed 30 percent of the gross income of the household”.

The following table shows the effect that this proposed change to the definition of Affordable Housing Cost would have with regard to the selected Low Income homebuyers:

APPLICANT	INCOME	MONTHLY MAX (EXISTING DDA)	% OF INCOME	MONTHLY MAX (IF AMENDED)	% OF INCOME
1	\$43,608	\$1,134	31%	\$1,134	31%
2	\$58,892	\$1,134	23%	\$1,472	30%
3	\$54,340	\$1,134	25%	\$1,358	30%
4	\$64,641	\$1,134	21%	\$1,616	30%

Finally, because the proposed change would be limited to how Affordable Housing Cost would be calculated for Low Income homebuyers whose income meets or exceeds 70% of the average, the maximum housing cost for the other 7 housing units to be built by Habitat would NOT be affected. Nor would the amount of assistance to be provided by the Authority change.

FISCAL ANALYSIS:

The Authority has contributed \$3.1 million in land and \$200,000 in waived permit and building fees to the Project. ***The amount of assistance provided by the Authority will not be altered if this Amendment is approved.***

Habitat will secure a construction loan in the amount of \$3 million. To date, Habitat has fundraised \$1,138,000 million and will reach the goal of \$1.2 million by the commencement of construction. The balance of financing for the Project will be from sales proceeds.

In addition, the following table shows the effect that this proposed change to the definition of Affordable Housing Cost would have with regard to the amount of mortgage assistance required to be provided by Habitat:

APPLICANT	INCOME	HABITAT 3 RD MORTGAGE (EXISTING DDA)	HABITAT 3 RD MORTGAGE (IF AMENDED)
1	\$43,608	\$226,574	\$226,574
2	\$58,892	\$226,574	\$165,333
3	\$54,340	\$226,574	\$186,044
4	\$64,641	\$226,574	\$139,501
TOTAL		\$906,296	\$717,452
DIFFERENCE			-\$188,844

In summary, the proposed change, which is permitted by law, would result in three Low Income

households paying the typical 30% of their gross income monthly for the units, rather than less, avoiding a windfall to the buyers and saving Habitat approximately \$189,000.

ATTACHMENTS

- 1) First Amendment to Amended and Restated Disposition, Development and Loan Agreement

MOTION

That the Housing Authority Board:

Approve the First Amendment to the Amended and Restated Disposition, Development and Loan Agreement with Habitat for Humanity of Greater Los Angeles for the development of 10 affordable and workforce ownership housing units.