



COMMUNITY DEVELOPMENT COMMISSION

County of Los Angeles

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Carlos Jackson
Executive Director

August 3, 2004

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors and Commissioners:

**APPROVE IMPLEMENTATION OF INFILL SITES UTILIZATION PROGRAM
(ALL DISTRICTS)
(3 Vote)**

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Authorize the Executive Director of the Community Development Commission to administer, on behalf of the Commission, Home Investment Partnership (HOME) Program funds and Community Development Block Grant (CDBG) funds, in order to implement the Infill Sites Utilization Program (Infill Program), in conjunction with the Housing Authority's Industry Program, for the acquisition, sale or lease of infill sites of no more than four units each, to increase housing for low- and moderate-income households in the unincorporated County and in cities participating in the CDBG Urban County Program, following the consent of the city and the affected Supervisorial District.

2. Authorize the Executive Director of the Community Development Commission, on behalf of the Community Development Commission, to implement the Infill Program and to provide up to \$500,000 for each infill development, using countywide HOME funds, and CDBG funds allocated to each Supervisorial District, and the required environmental clearance, following approval of the affected District, for site acquisition, pre-development, construction and permanent financing.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Authorize the Executive Director of the Community Development Commission to sell or lease to qualified developers, subject to program requirements, sites previously acquired for affordable housing, in order to implement the Infill Sites Utilization Program (Infill Program) following approval of the affected Supervisorial District, and to negotiate and execute all necessary agreements related to the sale or lease of the infill sites, to be effective following approval as to form by County Counsel and execution by all parties.
2. Authorize the Executive Director, as part of the Infill Program, to provide loans to developers of up to a maximum of \$500,000 for each infill development for site acquisition, pre-development, construction and permanent financing, using Home Investment Partnerships (HOME) Program funds, and Community Development Block Grant (CDBG) funds allocated to each Supervisorial District, following approval of the affected District.
3. Authorize the Executive Director, following approval as to form by County Counsel, and the required environmental clearance, to execute any necessary subordination, interagency or inter-creditor agreements, and to execute and modify all documents necessary for implementation of the proposed Infill Program and for each proposed infill development.
4. Authorize the Executive Director to implement the Infill Program using available HOME and CDBG funds, up to an aggregate of \$500,000 for each infill development, and to incorporate, as needed, \$1,000,000 into the Commission's Fiscal Year 2004-05 approved budget.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Authorize the Executive Director of the Housing Authority to sell or lease to qualified developers, subject to program requirements, infill sites of no

more than four units each, to increase housing for low- and moderate-income households in cities participating in the CDBG Urban County Program or in areas of the unincorporated County, which sites are located within a 15-mile radius of the City of Industry, following approval of the affected Supervisorial District, and to negotiate and execute all necessary agreements related to the sale or lease of the infill sites, to be effective following approval as to form by County Counsel and execution by all parties.

2. Authorize the Executive Director, as part of the Infill Program, to provide loans from Industry Funds of up to a maximum of \$400,000 per infill development, not to exceed \$100,000 per unit, for acquisition, and permanent financing of only affordable for-sale housing in cities participating in the CDBG Urban County Program and in areas of the unincorporated County, following approval of the affected Supervisorial District, which sites are located within a 15-mile radius of the City of Industry.
3. Authorize the Executive Director, following approval as to form by County Counsel, and the required environmental clearance, to execute any subordination, interagency, or inter-creditor agreements, and to execute and modify all documents for implementation of the Infill Program and for each proposed infill development, as described herein.
4. Authorize the Executive Director to implement the Infill Program using available Industry funds, up to a maximum of \$400,000 for each infill development, and to incorporate, as needed, \$1,000,000 into the Housing Authority's Fiscal Year 2004-05 approved budget.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to implement the Infill Program, which will provide housing opportunities for low-and moderate-income families, and to make more efficient the delivery of smaller development and acquisition/rehabilitation projects. In addition, the Infill Program will serve to assist in eliminating blight.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. Under the Infill Program HOME, CDBG and Industry Funds will be used to fund the acquisition and development of infill sites for development of affordable housing. The Executive Director will be authorized to purchase and sell properties in the unincorporated County and in cities participating in the CDBG Urban County Program (subject to the consent of the city and the affected Supervisorial District). If Industry Funds are used alone or along with HOME or CDBG funds, the proposed development must be located within a 15-mile radius of the City of

Industry and conform to the criteria discussed in the Proposal and Selection Process section of this letter, which was adopted by the Board of Housing Commissioners on September 9, 2003. Sites previously acquired by the Commission using HOME or CDBG funds, or acquired by the Housing Authority using Industry Funds, subsequent to the approval of the proposed Infill Program, may also be utilized.

Loans of up to \$500,000 per development in HOME, CDBG and/or Industry Funds will be made to developers, with the total HOME funds for all costs limited to the maximum per-unit subsidy established by the U.S. Department of Housing and Urban Development (HUD), currently \$151,318 for a two-bedroom unit and \$214,874 for a four-bedroom unit. The maximum loan from Industry Funds will be \$100,000 per unit. CDBG funds allocated to the Supervisorial Districts may also be provided. Final loan amounts will be determined following completion of negotiations with developers and arrangements with other involved lenders. Each loan will be evidenced by a promissory note and secured by a deed of trust.

The Infill Program will utilize a portion of the Industry Funds, under the formula, previously approved by the Board of Housing Commissioners, that stipulates 40% of the Industry Funds reserved for affordable housing are to be allocated to for-sale housing.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The rehabilitation of existing deteriorated housing, as well as the development of vacant or under-utilized properties in developed areas, known as "infill housing," contributes significantly to the preservation of neighborhoods and makes use of in-place infrastructure. The Board of Commissioners has instructed the Commission to study the feasibility of creating an infill development team within the Commission to streamline the process of approval for housing development projects. The Commission has been working with the Los Angeles County Department of Regional Planning to facilitate the development of affordable housing, and has formulated the Infill Program components outlined below to help accomplish these goals.

The Infill Program will encompass improved and unimproved sites. The estimated start date will be September 2004, following Board approval. The Executive Director will report to the Board on the progress of the Program one year following implementation.

Site Acquisition and Disposition; Project Types

The Infill Program will authorize the acquisition, sale and lease of sites for affordable housing development, in accordance with applicable regulations and Commission and Housing Authority policies. Such actions may include acquisition of unimproved sites, conventional developments, factory-built housing, move-on housing and for-sale and rental acquisition/rehabilitation.

Project Financing

Funds will be provided to developers through agreements executed by the Executive Director, following the consent of the affected Supervisorial District, completion of financial arrangements with developers and approval as to form by County Counsel. Under the Infill Program, funds may be provided to projects for development or rehabilitation of all or a portion of units, not to exceed four units per project. Agreements providing HOME loans for both rental and homeownership developments will require that units remain affordable for a minimum of 30 years. Agreements providing Industry Fund loans will require that homeownership units remain affordable for 45 years. All loans will be evidenced by promissory notes and secured by deeds of trust.

HOME or CDBG loans for development of rental housing require that units be reserved for households earning up to 65 percent of area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as established by HUD. For-sale developments financed with HOME or CDBG funds will be reserved for households earning up to 80 percent of AMI. For-sale developments financed with Industry Funds will be reserved for households earning up to 120 percent of AMI.

For-Sale Projects

Under the Infill Program, HOME and CDBG loans made for development or acquisition/rehabilitation of for-sale housing will initially be repaid from the homebuyers' first trust deeds, currently \$110,000 to \$140,000 each. Those HOME or CDBG funds not so repaid would convert to second or third trust deeds.

Industry Funds loaned for acquisition, or acquisition/rehabilitation of for-sale housing, also will be repaid with homebuyers' first trust deeds, depending upon homebuyers' income, with the remainder converting to secondary financing for each homebuyer.

All agreements will stipulate that homes be sold at their appraised values. If a difference exists between the appraised value and the total of the first trust deed, second trust deed and buyer equity or down payment, the remainder will be secured by a third trust deed and promissory note in favor of the Commission or the Housing Authority, depending upon the funding source. The second, and if necessary third, trust deeds in favor of the Commission are in conformity with the instruments currently used by the Commission. These instruments provide for the forgiveness of HOME and CDBG loans at the end of 30 years and the forgiveness of Industry Funds loans at the end of 45 years. Industry Funds Loans, HOME and CDBG loans all require that the home buyer share a portion of the appreciation in the property value, with the home buyer's share increasing over time, if the home is sold prior to the end of the term of the loan.

Rental Developments

The Infill Program provides that HOME or CDBG funds loaned for acquisition/rehabilitation or development of rental properties are to be repaid to the Commission from residual receipts generated by operation of the properties. Industry Funds will not be loaned for rental developments.

PROPOSAL AND SELECTION PROCESS:

The Infill Program, for developments proposing to use only Industry Funds or Industry Funds along with HOME funds (and CDBG funds in unincorporated areas), will use the criteria adopted by your Board on September 9, 2003, for the Home Ownership Development Program. For the first nine months of each fiscal year, only proposed developments in the unincorporated County areas and in cities participating in the CDBG Urban County Program where the proposed development is within 15 miles of the City of Industry will be eligible to apply. For the remaining three months of each fiscal year, proposed developments within any jurisdiction within 15 miles of the City of Industry will be eligible to apply for the use of Industry Funds. The use of HOME funds for proposed developments will remain restricted to cities participating in the CDBG Urban County Program and the use of CDBG funds will remain restricted to the unincorporated county areas.

For developments proposing to use only HOME funds, and CDBG funds in unincorporated areas, applications may be made at any time during the fiscal year for developments located within any unincorporated area or city participating in the CDBG Urban County Program, subject to the consent of the affected Supervisorial District. If the development is located in a city participating in the Urban County Program, the city's consent will also be required.

Criteria emphasizing a neighborhood's need for blight removal and additional affordable housing will also be incorporated into the Housing Authority and Commission's existing selection criteria used for the HOME and Industry Funds Home Ownership Programs. Proposals will be accepted from qualified developers on an ongoing basis, with selection based on the aforementioned criteria. If proposals receive the minimum required score, applications will be funded on a "first come, first served" basis, depending on funds availability.

The Commission and the Housing Authority will periodically advertise the Infill Program in local newspapers, maintain a notice of funding availability on both their websites and the County Office of Small Business website, and periodically initiate informational workshops to provide applicants with technical assistance.

ENVIRONMENTAL DOCUMENTATION:

The scope of projects to be funded under the Infill Program is limited to those containing four units or less, which are normally Categorical Exempt from the California Environmental Quality Act (CEQA) Guidelines and Categorical Excluded under HUD National Environmental Policy Act (NEPA) regulations at 24 Code of Federal Regulations Part 58. However, an Environmental Service Request (ESR) will be submitted to the Commission's Environmental Unit for each property to be acquired, disposed of, improved, demolished, cleared or rehabilitated. Each site will receive an environmental clearance prior to the commitment of project funds, in accordance with CEQA Guidelines and NEPA regulations.

Should any sites require a Negative Declaration, Mitigated Negative Declaration, or Environmental Impact Report, the Board will review the environmental documentation and determine whether or not to adopt findings for each project.

IMPACT ON CURRENT PROJECT:

The Infill Program will streamline delivery of affordable housing in the County.

Respectfully submitted,

CARLOS JACKSON
Executive Director

CJ:CBB