COMMUNITY DEVELOPMENT COMMISSION
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February 10, 2009

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

Dear Commissioners:

APPROVE THE USE OF NEIGHBORHOOD STABILIZATION PROGRAM FUNDS FOR THE COMMUNITY DEVELOPMENT COMMISSION'S INFILL SITES UTILIZATION PROGRAM AND APPROVE AN INCREASE TO THE INFILL SITE UTILIZATION PROGRAM LOAN THRESHOLD AMOUNT (ALL DISTRICTS) (3 VOTE)

SUBJECT:

This letter recommends approval of the administration of Neighborhood Stabilization Program funds through the Community Development Commission's Infill Sites Utilization Program, and an increase to the Infill Sites Utilization Program loan threshold amount from $500,000 to $1,000,000 in order to implement the scattered site affordable housing component outlined in the amended Fiscal Year 2008-2009 Action Plan.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that increasing the Infill Sites Utilization Program loan threshold amount is not subject to the provisions of the California Environmental Quality Act (CEQA), as described herein, because the action will not have the potential for causing a significant effect on the environment.

2. Authorize the Acting Executive Director of the Community Development Commission (Commission) to administer Neighborhood Stabilization Program (NSP) funds, for the acquisition and rehabilitation of properties with up to four units, to increase housing for very low-income households within the 47 participating cities and unincorporated areas of the County of Los Angeles (County).

3. Authorize the Acting Executive Director of the Commission, to increase the Infill Sites Utilization Program loan threshold amount from $500,000 to $1,000,000 to provide loans to developers of up to $1,000,000 for predevelopment, acquisition, rehabilitation and related activities for each property using NSP funds.

4. Authorize the Acting Executive Director of Commission, following approval as to form by County Counsel, and obtaining required environmental clearances, to execute any necessary loan, interagency or inter-creditor agreements, and to execute and modify all documents necessary for the continued implementation of the Infill Sites Utilization Program and for each proposed infill development.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

On July 30, 2008, the U.S. Congress enacted the Housing and Economic Recovery Act of 2008 (HERA), which created the NSP. The NSP is authorized under Title III of HERA to provide targeted emergency assistance to every state and certain local grantees to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values.

To expedite commitment of the funds, the Commission is recommending expansion of its existing Infill Sites Utilization Program (Infill Program), previously approved by the Board of Supervisors and the Board of Commissioners of both the Housing Authority and Community Development Commission on August 3, 2004. The Infill Program provides a streamlined process for housing developers to obtain financial assistance for the acquisition, rehabilitation and development of affordable housing located on infill sites. Increasing the Infill Program's loan threshold amount will enable developers to incorporate modern, green building and energy-efficiency improvements, as required by the NSP.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

Based on the allocation formula developed by the U.S. Department of Housing and Urban Development (HUD), the County will receive $16,847,672 in direct NSP funding. Up to $4,211,918, or 25%, will be reserved for the Infill Program. This total includes contingency and administrative costs. On November 25, 2008, your Board approved incorporation of the funds into the Commission's Fiscal Year 2008-2009 budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Infill Program activities financed with NSP funds will be exclusively used for the acquisition and rehabilitation of foreclosed properties to further increase affordable rental housing opportunities for very low-income persons. Developers will be eligible for secured zero-interest deferred loans to acquire, rehabilitate and operate properties with up to four units. Developers must agree to reserve the units for households earning up to 50% of AMI. Agreements providing NSP loans for affordable rental housing will require that the units remain affordable for a minimum of 55 years. All loans will be evidenced by promissory notes and secured by deeds of trust.

The Infill Program expansion will include incorporation of all NSP requirements including strict green building and energy-efficiency standards. Increasing the Infill Program's loan threshold amount will enable developers to accommodate these standards and incorporate modern, green building and energy-efficiency improvements.

Projects will be selected through a Request for Proposals process. In accordance with NSP guidelines, properties receiving assistance must be foreclosed or abandoned, and must be located within targeted areas of the County that have been identified by HUD as having the greatest need. However, given the limited amount of funds, assistance to the areas with the greatest need may not include projects in every Supervisorial District.

The Commission will advertise the NSP funds component of the Infill Program in local newspapers, Special and Non-Special Needs developer mailing lists and the Commission's website. Proposals will be accepted from developers in early 2009 and undergo a scoring process to determine funding allocations.

ENVIRONMENTAL DOCUMENTATION:

Increasing the Infill Sites Utilization Program loan threshold amount is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

The scope of projects to be funded under the NSP and Infill Program will be limited to activities which are normally categorically excluded from NEPA regulations at 24 Code of Federal Regulations Part 58, and categorically exempt from CEQA Guidelines; however, an Environmental Service Request (ESR) or Basic Property Identification Form will be submitted to the Commission's Environmental Services 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 site 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:

Projects funded through the Infill Program will alleviate blight and benefit very low-income persons within the 47 participating cities and unincorporated areas of the County.

Respectfully submitted,

CORDÉ D. CARRILLO
Acting Executive Director