

INTRODUCTION

Los Angeles County is a Participating Jurisdiction for HUD's HOME Investment Partnerships (HOME) Program. It receives HOME formula allocation funds annually that can be used to promote affordable housing in the County through activities such as homeowner rehabilitation, homebuyer activities, rental housing development, and tenant-based rental assistance. The CDC administers the HOME Program for the County.

HOME grant funds have specific requirements applicable to HOME activities such as the 25 percent match with non-Federal funds for HOME dollars allocated to projects. Eligible activities include homebuyer and homeowner rehabilitation activities. Homebuyer programs are structured for acquisition, acquisition and rehabilitation, and new construction of affordable homes. Rental housing is assisted through construction of new projects, as well as rehabilitation and/or acquisition of existing housing units.

New HOME Funds For 2006–2007 Program Year

The new Program Year (2006–2007) will begin on July 1, 2006. The 2006-2007 HOME allocation totals \$13,040,855, consisting of \$12,883,006 in HOME Program funds and \$157,849 in ADDI-HOME Program funds.

FEDERAL INVESTMENT CRITERIA

Federal regulations require the CDC to apply the following criteria to HOME funds:

- Beneficiaries must have incomes that do not exceed 80 percent of area median income, adjusted for household size.
- Up to 10 percent of the grant can be spent on administration and planning.
- At least 15 percent is set-aside annually for eligible Community Housing Development Organizations (CHDOs).¹

¹ A CHDO is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. CHDOs must receive certification by the CDC indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding. The HOME Program definition of a CHDO is found at 24 CFR Part 92.2.

USE OF HOME FUNDS

The following are the eligible activities that will be implemented with HOME funds in 2006-2007:

- HOME Administration
- New Construction of Housing
- Direct Homeownership Assistance
- Single-Unit Rehabilitation
- Participating Cities Single-Unit Rehabilitation
- Multi-Family Rental Acquisition and Rehabilitation, Including Refinancing and Debt Reduction

Please see Volume II of this Annual Action Plan for specific details regarding these activities.

ELIGIBLE USES OF CHDO FUNDS

- Acquisition and/or rehabilitation of rental housing
- New Construction of rental housing
- Acquisition and/or rehabilitation/new construction of homebuyer properties
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds
- CHDO operating expenses

TENANT-BASED RENTAL ASSISTANCE

The CDC does not operate this program.

OTHER FORMS OF INVESTMENT

The CDC does not use other forms of investment.

AFFORDABILITY PERIODS

The HOME program sets affordability periods for the affordable housing that it assists with HOME funds. These periods are based on the amount of HOME funds provided for the property and whether the project is new construction or existing

housing. The County must control the sale/resale of any homebuyer property through either resale or recapture provisions as set forth in §24CFR 92.254.

Table 3-1
HOME Program Affordability Periods

HOME Funds Provided	Affordability Period
Less than \$15,000	5 Years
\$15,000- \$40,000	10 Years
More than \$40,000	15 Years
New Construction	20 years

Resale/Recapture Provisions

If affordability periods are not met for homeownership projects, the CDC has guidelines in place for recapturing the loan or reselling the property assisted with HOME funds. Since the CDC will use 2006–2007 HOME funds to support a first-time homebuyer program it will impose either resale or recapture requirements, at its option, if affordability periods are not met. It will use HOME funds garnered from recapture to assist other homebuyers.

The CDC will determine which option (resale or recapture) will be used at the time of the initial purchase and so inform the homebuyer. The CDC may use criteria, including first-time homebuyer qualifications and terms of affordability, which are more restrictive than the minimums prescribed by HOME Program regulations.

RECAPTURE OF HOME INVESTMENT: EQUITY SHARING

The CDC will recapture the full HOME investment, unless the affordability period has expired, in which case the homeowner shall be entitled to recapture all the net proceeds. Net Proceeds is defined as the sale price minus loan repayments and closing costs. Homeowner investment is defined as the following costs paid by the homeowner: down payment, payments to the principal balance, and the cost of eligible improvements made to the property after purchase.

When the net proceeds are sufficient to repay both the CDC's HOME investment and the homeowner's investment in the home, the CDC will recapture a share of the net proceeds that is proportionate to the amount provided by the homeowner and the CDC for the original purchase. The CDC may forgive a prorated share of the net proceeds based upon the amount of time the homeowner occupied the unit during the affordability period.

RESALE OF HOME INVESTMENT: ENFORCEMENT PROVISION

CDC instruments include a “Right of First Refusal Agreement” and Trust Deed resale restriction with the homebuyer. This provision ensures that, at a minimum, the full HOME investment will be recaptured from the net proceeds of the sale, as defined above.

Where the net proceeds are insufficient to repay both the HOME investment plus the homeowner’s investment, the CDC will forgive a prorated share of the HOME investment based on the amount of time the homeowner occupied the unit during the affordability period. In such a case, the homeowner will be permitted to recover more than the homeowner’s investment, as defined above. The prorated share shall be based on an affordability period of 30 years for newly constructed units and 20 years for all other properties, regardless of the amount of HOME investment.

PRESERVATION OF AFFORDABILITY IN MULTIFAMILY RENTALS: REFINANCING AND DEBT COLLECTION

In order to facilitate the development of new affordable units in acquisition and rehabilitation projects or to ensure continuing or increased affordability in projects acquired or rehabilitated using HOME funds, the CDC will loan HOME funds for debt reduction or refinancing existing debt. The cost of rehabilitation must be at least one-half the cost of the proposed existing debt reduction or refinancing (this requirement may be appropriately modified at the discretion of the Executive Director or his designee).

The funds will not be used to refinance multifamily loans made or insured by any Federal program and will be limited to projects in the unincorporated areas of the County. A review of management practices must demonstrate that disinvestment in the property has not occurred, that the long term needs of the project can be met and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.

Affirmative Marketing Policy and Procedures

The CDC’s policy is to disseminate information to the public regarding fair housing laws, as well as its own guidelines for participation in the HOME Program. In accordance with Federal regulations (24 CFR 92.351), the CDC adopted an affirmative marketing policy and procedures. The CDC is committed to equal opportunity in housing choices in the local housing market without discrimination based on race, color, religion, sex, and national origin.

The CDC is also committed to affirmative marketing, which is implemented in the HOME Program through a specific set of steps that the CDC and participating groups follow.

INFORMING AFFECTED PARTIES

The CDC will inform the public, potential tenants, potential homebuyers, and property owners about Federal fair housing laws and the affirmative marketing policy using the following items:

- Equal Housing Opportunity logotype or slogan in press releases, news advisories, solicitations for owners and in all written communications
- Special news releases in local neighborhood and ethnic newspapers and public service announcements in the local electronic media
- Meetings to inform owners regarding program participants

The CDC has established procedures to ensure that owners of rental housing developments assisted by the HOME Program solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach. The owners will solicit applications through such locations as community-based organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies.

EVALUATION

The CDC has established monitoring procedures to assure that each owner of rental housing adheres to the established requirements and practices in order to carry out the affirmative marketing procedure. The effectiveness of the CDC's affirmative marketing actions will be evaluated annually and the CDC will take corrective actions if it finds that property owners fail to carry out required procedures. The CDC will inform owners of the affirmative marketing requirements and ways to improve current procedures. Owners who fail to meet the requirements or to make suggested improvements will be disqualified from future participation in the HOME Program.

American Dream Downpayment Initiative

The American Dream Downpayment Initiative (ADDI) was authorized by Title I of the American Dream Downpayment Act of 2003. This federally funded program allocates additional HOME Program funds to states and local jurisdictions that currently administer HOME funds, to assist low-income families become first-time homebuyers. The Fiscal Year 2006-2007 ADDI-HOME allocation is \$157,849 and will provide downpayment grants or loans to eligible homebuyers in amounts up to \$10,000 or 6% of the purchase price, whichever is greater. The grants or loans may be used for acquisition costs and related reasonable and necessary soft costs; rehabilitation costs related to the purchase are not eligible.

The ADDI-HOME grants and loans will be used in combination with all of the CDC's homeownership programs. The CDC currently uses regular HOME funds to facilitate the purchase of existing and newly constructed housing, and all of these homebuyers are eligible for the ADDI-HOME grants. The CDC also offers a variety of homeownership programs that assist a broad range of income groups throughout the County. ADDI-HOME grants and loans will be available to applicants of these programs who meet HOME eligibility requirements, namely, household income does not exceed 80% of area median income and the home is located in one of the 49 participating cities or the unincorporated area.

The CDC requires all homeownership applicants to participate in homebuyer education programs that cover all aspects of owning a home, with emphasis on post-purchase education addressing foreclosure prevention, predatory lending and loss mitigation. All recipients of ADDI-HOME grants will be required to attend these programs in order to ensure their suitability to undertake and maintain homeownership.

The CDC implements an active marketing program to promote and solicit applicants for the various homeownership programs. As part of continued marketing efforts, the ADDI-HOME grant will be included in information that is disseminated throughout the County. The marketing will be expanded to include residents and tenants of trailer parks, manufactured housing, and public housing, as well as families assisted by public housing agencies. Special efforts will be made to coordinate with the Housing Authority of the County of Los Angeles (HACOLA) self-sufficiency programs for public housing residents and Section 8 recipients who are ready to transition from public assistance to homeownership.